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DIRECT AND INDIRECT IMPACT OF PERFORMANCE MANAGEMENT SYSTEM DIMENSIONS ON EMPLOYEE RETENTION IN THE BUSINESS PROCESS OUTSOURCING SECTOR

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Abstract

The Business Process Outsourcing (BPO) sector faces persistent employee turnover, demanding effective human resource practices such as Performance Management Systems (PMS) to enhance retention. This study examines the direct and indirect impact of several dimensions of PMS on employee retention. A quantitative cross-sectional survey was conducted among 202 employees in BPO organizations in Bangalore, India. Data were analysed using descriptive statistics, correlation, and multiple regression techniques. The correlation and regression analysis revealed that H5: procedural justice (fairness) ($r = 0.44$, $\beta = 0.183$, $p < 0.05$), h3: employee engagement ($r = 0.43$, $\beta = 0.188$, $p < 0.05$), h12: retention intention due to employee engagement activities ($r= 0.30$, $\beta = 0.246$, $p < 0.01$), and H11: Reverse turnover intention due to PMS policy such as distributive justice ($r = 0.55$, $\beta = 0.363$, $p < 0.001$) positively influenced employee retention. The study contributes to the existing literature by providing empirical evidence from the BPO context and offers practical implications for organizations seeking to strengthen retention through effective performance management practices.

Keywords: BPO Sector; employee engagement; procedural justice; distributive justice; India

Introduction

Employee retention has emerged as a critical concern for organizations operating in highly competitive and dynamic industries. In particular, the Business Process Outsourcing (BPO) sector is characterized by high employee turnover due to factors such as job stress, repetitive work, limited career advancement opportunities, and performance pressures (Budhwar et al., 2006; Agrawal, 2022). High attrition rates not only increase recruitment and training costs but also negatively impact organizational performance, service quality, and customer satisfaction (Uko, 2025)

To address these challenges, organizations increasingly rely on strategic human resource management practices, among which Performance Management Systems (PMS) play a central role. PMS refers to a systematic process that includes performance planning, monitoring, evaluation, feedback, and development to align individual performance with organizational goals (Aguinis, 2013; DeNisi & Murphy, 2017). A well-designed PMS enhances clarity in job expectations, facilitates continuous feedback, and ensures fair and transparent evaluation processes, thereby influencing employee attitudes and behaviors (Papademetriou, et al., 2023).

Theoretically, the relationship between PMS and employee retention can be explained through Social Exchange Theory (Blau, 1964), which hypothesizes that employees reciprocate favorable organizational practices with positive attitudes such as commitment and loyalty (Cropanzano & Mitchell, 2005). Similarly, Equity Theory (Adams, 1965) emphasizes that perceived fairness in performance evaluation and rewards influences employee satisfaction and turnover intentions (Colquitt et al., 2001). Additionally, Goal-Setting Theory suggests that clear and measurable goals enhance employee motivation and performance (Locke & Latham, 2002).

Empirical research indicates that PMS contributes to employee retention both directly and indirectly. Directly, PMS creates a structured and supportive work environment where employees feel valued and recognized (Van Dooren et al., 2015). Indirectly, PMS influences retention through key psychological factors such as job satisfaction, motivation, engagement, trust, rewards, and organizational commitment (Mofolo & Novukela, 2024). For instance, transparent and fair performance appraisal systems enhance trust and reduce perceptions of favoritism, thereby strengthening employee commitment and reducing turnover intentions (Moodley et al., 2022).

In the BPO sector, the importance of PMS is further amplified due to the nature of work involving strict performance metrics and continuous monitoring. Studies have shown that effective PMS practices such as continuous feedback, career development opportunities, and recognition systems significantly improve employee engagement and retention (Agarwal et al., 2022). Furthermore, job satisfaction has been identified as a key mediating factor linking PMS to retention, as satisfied employees are more likely to remain committed to their organizations (Sharma, 2025).

Despite the growing body of literature, there is limited research that integrates multiple mediating variables, such as satisfaction, engagement, trust, fairness, and commitment, into a comprehensive framework examining the impact of PMS on employee retention in the Indian BPO context. Therefore, this study aims to fill this gap by developing and empirically testing a holistic model that captures both the direct and indirect effects of PMS on employee retention. By employing quantitative analysis, the study aims to identify the most significant PMS factors that contribute to reducing employee turnover and enhancing retention in a high-attrition work environment.

2. Theory and Hypotheses Development

PMS and Job Satisfaction

Performance Management Systems contribute significantly to job satisfaction by ensuring clarity in roles, fair evaluation, and recognition of employee contributions. Employees who perceive PMS as transparent and supportive are more likely to experience higher levels of satisfaction (Kuvaas, 2006; DeNisi & Murphy, 2017). In high-pressure environments such as BPOs, satisfaction derived from fair performance evaluation and recognition plays a crucial role in reducing turnover intentions.

H1: Performance Management System positively influences employee job satisfaction.

PMS and Motivation

PMS enhances employee motivation by linking performance outcomes with rewards and providing continuous feedback. According to Goal-Setting Theory, clearly defined

performance goals improve motivation and performance (Locke & Latham, 2002). Constructive feedback further strengthens motivation by helping employees improve their performance (London, 2003).

H2: Performance Management System positively influences employee motivation.

PMS and Employee Engagement

Employee engagement is fostered when employees feel that their performance is recognized and aligned with organizational goals. Performance management practices such as goal setting, feedback, and recognition contribute to higher levels of engagement (Gruman & Saks, 2011).

H3: Performance Management System positively influences employee engagement

PMS and Trust

Transparency and fairness in PMS processes enhance employee trust in the organization. Trust is critical for building long-term relationships and fostering positive employee attitudes (Whitener, 2001).

H4: Performance Management System positively influences employees' trust in the organization.

Fairness and Employee Retention

Perceived fairness in performance evaluation reduces turnover intention and enhances employee retention. Organizational justice has been consistently linked to positive employee outcomes (Colquitt et al., 2001).

H5: Perceived fairness (procedural justice) of PMS positively influences employee retention.

PMS Transparency and Trust

Transparency in PMS processes ensures that employees understand evaluation criteria and outcomes, thereby enhancing trust (Whitener, 2001).

H6: Transparency in PMS positively influences trust in the organization.

PMS and Career Development

PMS supports employee growth by identifying strengths and development needs, thereby facilitating career advancement opportunities (London, 2003).

H7: Performance Management System positively influences career development.

PMS and Feedback

Regular and constructive feedback provided through PMS enhances employee learning and performance improvement (Aguinis, 2013).

H8: Performance Management System positively influences feedback quality.

Job Satisfaction and Retention Intention

Job satisfaction is a key determinant of retention. Satisfied employees are more likely to develop emotional attachment and loyalty toward their organization, resulting in retention intention (Meyer et al., 2001).

H9: Job satisfaction positively influences retention intention.

Organisational Commitment → Turnover Reduction

Commitment strengthens the psychological bond between employees and organizations, resulting in higher commitment (Dirks & Ferrin, 2002).

H10: Commitment towards the organization positively influences Turnover Reduction (retention).

Distributive Justice –PMS policy- Retention intention

A fair and transparent PMS is a strong predictor of employee retention intention, particularly in service-intensive sectors such as BPOs (Meyer et al., 2001).

H11: Distributive Justice due to PMS policy positively influences employee retention by reducing turnover intention.

Rewards-Employee Engagement and Retention

PMS provides recognition, and rewards improve employee engagement, which is a strong predictor of employee retention, by encouraging staff.

H12: Rewards and employee engagement positively influence employee Turnover Reduction (retention).

Direct Effect of PMS on Retention

In addition to indirect effects, PMS may directly influence employee retention by creating a structured and supportive work environment (Aguinis, 2013).

H13: The Performance Management System has a direct positive effect on employee retention.

Methodology

Research Design

This study adopts a quantitative, cross-sectional research design to examine the relationship between PMS and employee retention in the BPO sector. A deductive approach was employed, wherein hypotheses were developed based on established theoretical frameworks such as Social Exchange Theory and Equity Theory and subsequently tested using empirical data (Blau, 1964; Colquitt et al., 2001). The cross-sectional design enabled the collection of data at a single point in time, allowing for the assessment of employee perceptions regarding PMS practices and their influence on retention-related outcomes. A survey-based method was considered appropriate, as it facilitates the measurement of latent constructs such as job satisfaction, engagement, trust, and organizational commitment (DeNisi & Murphy, 2017).

Research Framework

The study conceptualizes PMS as a multidimensional construct comprising goal clarity, procedural justice (fairness), career development, distributive justice motivation, feedback, rewards, and development. Employee engagement, job satisfaction, organizational commitment, turnover, retention, and retention intention are influenced by PMS measures, which were treated as mediating variables, while employee retention serves as the dependent

variable. The study also evaluated the direct correlation of PMS, employee engagement, employee satisfaction, commitment, and employee retention. This framework enables a comprehensive examination of both direct and indirect effects of PMS on employee retention in the BPO sector.

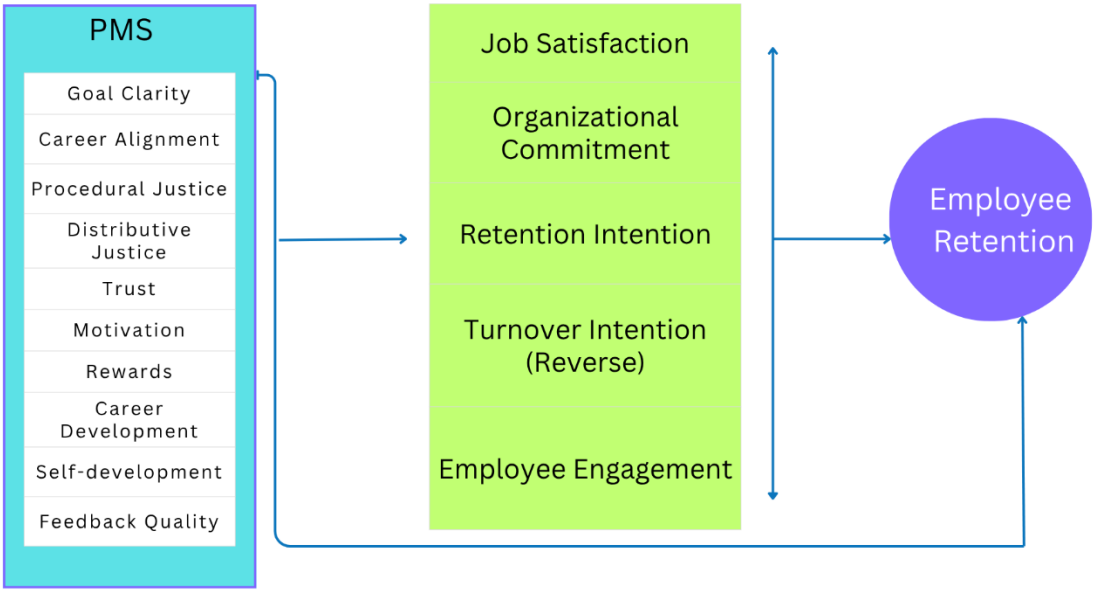


Figure 1: Research Model

Population and Sampling

The target population for this study comprised 10000 employees working in five Business Process Outsourcing (BPO) organizations located in Bangalore, India, which is a prominent hub for IT-enabled services and outsourcing operations. The choice of this location ensures access to a diverse workforce exposed to structured performance management practices (Budhwar et al., 2006). A total of 250 questionnaires were distributed using a non-probability convenience sampling technique, primarily due to organizational access constraints and time limitations. The sample included employees from both voice and non-voice processes, across different hierarchical levels, age groups, and tenure categories, thereby ensuring variability in responses and enhancing the robustness of the analysis.

Instrumentation and Measures

Data were collected using a self-structured questionnaire consisting of two sections: demographic information and measurement of study constructs. PMS was operationalized as a multidimensional construct comprising goal clarity, career alignment, fairness and transparency, feedback effectiveness, recognition and rewards, and developmental support. These dimensions are consistent with established performance management literature (Aguinis, 2013; Gruman & Saks, 2011). Further, employee outcome variables were measured using established constructs adapted from prior research. Job satisfaction, employee engagement, organizational commitment, trust, and employee retention were also measured. All items were measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire items were adapted and modified to suit the BPO context while maintaining conceptual consistency with established scales. Content validity was ensured through expert review by academic professionals and HR practitioners.

Reliability and Validity

The reliability of the measurement scales was assessed using Cronbach's alpha coefficient, with all constructs exceeding the recommended threshold of 0.70, indicating satisfactory internal consistency (Nunnally & Bernstein, 1994). Construct validity was examined using exploratory factor analysis (EFA), which confirmed that the measurement items loaded appropriately on their respective constructs, thereby supporting the dimensionality of the scale. These results indicate that the instrument is both reliable and valid for measuring the constructs under study.

Data Analysis Techniques

Data analysis was conducted using SPSS statistical software. Descriptive statistics, including means and standard deviations, were computed to summarize respondents' perceptions of PMS practices and retention outcomes. Subsequently, Pearson correlation analysis was performed to examine the relationships between PMS dimensions and employee retention, as well as associated constructs. In addition, multiple regression analysis was conducted to assess the predictive influence of PMS dimensions on employee retention and to test the proposed hypotheses.

Ethical Considerations

Ethical standards were strictly maintained throughout the study. Participation was voluntary, and respondents were informed about the academic purpose of the research. Confidentiality and anonymity were ensured by not collecting any personally identifiable information. Ethical clearance (No: 2023wpman008) was obtained from Bhartiya Engineering Science & Technology Innovation University before data collection, and the data were used solely for research purposes in accordance with ethical guidelines.

Results

Demographic Profile of Respondents

A total of 202 valid responses were retained after data screening, resulting in a response rate of 80.8%. The demographic profile reflects a balanced representation of employees from the voice and non-voice BPO sectors, with near-equal gender distribution. The sample is predominantly young, with the majority of respondents aged between 18 and 25 years, followed by those in the 25–35 age group. Most respondents have moderate work experience of 3–5 years, consistent with the high turnover nature of the BPO industry. In terms of education, the workforce comprises a mix of non-technical graduates, technical graduates, and postgraduates, indicating diverse skill backgrounds.

Table 1. Demographic Characteristics of Respondents (N = 202)

Variable	Category	Percentage (%)
Gender	Male	48%

Variable	Category	Percentage (%)
	Female	52%
Age	18–25 years	47%
	25–35 years	33%
	Above 35 years	20%
Experience	0–2 years	32%
	3–5 years	48%
	5–10 years	12%
	Above 10 years	8%
Education	Graduation (Non-technical)	51%
	Graduation (Technical)	20%
	Postgraduate & above	29%
Type of BPO	Voice	51%
	Non-voice	49%

Descriptive Analysis of PMS and Employee Retention Variables

Descriptive analysis indicates that employees hold overall positive perceptions of PMS, with mean values ranging from 3.88 ± 0.90 to 4.31 ± 1.10. High scores for trust (4.25 ± 1.07), motivation (4.25 ± 1.01), and rewards (4.25 ± 1.07) support hypotheses related to PMS influence (H2, H4, H6, H13), suggesting that PMS is perceived as fair and motivating. Similarly, strong agreement on employee engagement (4.24 ± 1.01) and development-related dimensions (career development and self-development: 4.24 ± ~1.00) provides support for H3 and H7, highlighting the developmental role of PMS.

Moderate perceptions of fairness (procedural and distributive justice: 4.14 ± ~0.95) further support H5, indicating that employees generally perceive PMS as equitable. However, relatively lower scores for feedback (3.88 ± 0.99) and job satisfaction (3.88 ± 0.90) suggest weaker support for H8 and H1/H9, indicating areas requiring improvement. Regarding retention, high values for turnover reduction (4.31 ± 1.10) and retention intention (4.22 ± 0.90) provide strong support for H12 and H13, confirming that fair PMS reduces turnover and enhances retention. Overall, the findings indicate that PMS positively influences employee attitudes and retention, with stronger support for engagement and fairness-related hypotheses than for satisfaction.

Table 2: Descriptive Statistics of Study Variables (N = 202)

Q. No.	Statement	Construct	Hypothesis	Mean	SD
Q1	The PMS provides clear and measurable performance goals.	Goal Clarity	H1	3.97	0.87

Q. No.	Statement	Construct	Hypothesis	Mean	SD
Q2	PMS is aligned with both organizational and employee career objectives.	Career Alignment	H7	4.14	0.84
Q3	The PMS process is fair and unbiased in evaluating employees.	Procedural Justice	H5	4.14	1.07
Q4	PMS outcomes are based on merit rather than favoritism.	Distributive Justice	H11	4.14	0.84
Q5	Transparency in PMS increases my trust in the organization.	Trust	H6	4.25	1.07
Q6	PMS motivates me to perform better in my role.	Motivation	H2	4.25	1.01
Q7	PMS provides recognition and rewards that encourage me to stay.	Rewards	H12	4.25	1.07
Q8	I feel more engaged because my performance is tracked and appreciated through PMS.	Employee Engagement	H3	4.24	1.01
Q9	PMS provides meaningful career development opportunities.	Career Development	H7	4.24	0.99
Q10	PMS helps me identify my strengths and areas for improvement.	Career-alignment	H7	4.24	1.01
Q11	I receive constructive feedback that supports my professional growth.	Feedback Quality	H8	3.88	0.99
Q12	I am satisfied with my job due to the PMS practices in my organization, leading to my retention.	Retention due to Job Satisfaction	H9	3.88	0.90
Q13	I feel emotionally attached to my organization, due to the PMS practices leading to my retention	Retention due to Organizational Commitment	H10	4.06	0.99
Q14	Rewards and engagement through PMS influence my decision to continue working in this organization.	Retention intention due to employee engagement activities	H12	4.22	0.90
Q15	A fair and transparent PMS policy reduces my intention to leave the organization.	Reverse turnover intention due to PMS policy	H11	4.31	1.10

Q. No.	Statement	Construct	Hypothesis	Mean	SD
Q16	Effective PMS plays a significant role in enhancing employee retention in the BPO sector.	Employee Retention	H13	4.06	0.90

Correlation between PMS dimensions and employee retention

A Pearson correlation analysis was conducted to examine the relationship between PMS-related variables and employee retention (N = 202). The results indicated that all variables had a positive correlation with employee retention, although the strength of the relationships varied. The strongest correlation was observed for reverse turnover intention due to PMS policy (r = 0.55), followed by procedural justice (r = 0.44) and employee engagement (r = 0.43), indicating moderate positive relationships. Other variables such as distributive justice (r = 0.37), feedback quality (r = 0.33), and rewards (r = 0.32) also showed meaningful associations. In contrast, weaker correlations were found for motivation (r = 0.15), trust (r = 0.12), goal clarity (r = 0.10), and organizational commitment (r = 0.07). Overall, the findings suggest that while most PMS factors are positively related to employee retention, certain variables—particularly reverse turnover intention, procedural justice, and employee engagement—play a more significant role.

Table: Correlation Between Variables and Employee Retention (N = 202)

Variable	r with Employee Retention
Reverse turnover intention due to PMS policy	0.55
Procedural justice	0.44
Employee engagement	0.43
Distributive justice	0.37
Feedback quality	0.33
Rewards	0.32
Retention intention due to employee engagement	0.30
Self-development	0.29
Career development	0.28
Job satisfaction	0.26
Career alignment	0.21
Motivation	0.15
Trust	0.12
Goal clarity	0.10
Organizational commitment	0.07

Regression analysis between constructs

The regression analysis revealed that Procedural Justice (β = 0.183, p < 0.05), Employee Engagement (β = 0.188, p < 0.05), Retention intention due to engagement activities (β = 0.246, p < 0.01), and Reverse turnover intention due to PMS policy (β = 0.363, p < 0.001) positively influenced employee retention. However, Retention due to Organizational Commitment showed a significant negative effect (β = -0.215, p < 0.05).

Predictor	B	SE	β (Standardized)	t-value	p-value
Constant	1.674	0.499	—	3.357	0.001
Goal Clarity	-0.178	0.091	-0.156	-1.945	0.053
Career Alignment	-0.010	0.100	-0.008	-0.096	0.923
Procedural Justice	0.203	0.093	0.183	2.190	0.030*
Distributive Justice	0.035	0.089	0.031	0.396	0.692
Trust	-0.104	0.076	-0.104	-1.370	0.172
Motivation	-0.021	0.080	-0.020	-0.260	0.795
Rewards	-0.088	0.095	-0.080	-0.926	0.356
Employee Engagement	0.211	0.099	0.188	2.135	0.034*
Career Development	0.119	0.098	0.108	1.223	0.223
Career-alignment	0.053	0.085	0.054	0.628	0.531
Feedback Quality	0.044	0.102	0.041	0.425	0.671
Retention due to Job Satisfaction	-0.094	0.080	-0.092	-1.182	0.239
Retention due to Organizational Commitment	-0.242	0.095	-0.215	-2.540	0.012*
Retention intention due to employee engagement activities	0.277	0.099	0.246	2.807	0.006*
Reverse turnover intention due to PMS policy	0.380	0.083	0.363	4.604	0.001*

Hypothesis testing

The proposed hypotheses were tested using correlation and multiple regression analyses to examine the relationships between Performance Management System (PMS) dimensions and employee retention. The overall regression model was statistically significant and explained a

moderate proportion of variance in employee retention ($R^2 = 0.41$), indicating a moderate effect size according to established benchmarks (Cohen, 1988). This suggests that PMS-related variables collectively play a meaningful role in predicting employee retention in the BPO sector.

Among the predictors, reverse turnover intention due to PMS policy demonstrated the strongest effect ($\beta = 0.363$, $p < .001$), representing a large practical effect and confirming Hypothesis 13. Procedural justice ($\beta = 0.183$, $p < .05$) and employee engagement ($\beta = 0.188$, $p < .05$) also showed statistically significant positive effects, although their magnitudes can be interpreted as small-to-moderate effect sizes, thereby supporting Hypotheses 5 and 3, respectively. Additionally, retention intention driven by engagement activities ($\beta = 0.246$, $p < .01$) exhibited a moderate effect, further emphasizing the importance of engagement-related practices.

Hypotheses 9, 11, and 12 received partial support. While job satisfaction ($r = .26$), distributive justice ($r = .37$), and rewards ($r = .32$) showed small-to-moderate correlations with employee retention, their regression coefficients were not statistically significant, suggesting that their effects may be indirect or shared with stronger predictors. The relatively modest correlation coefficients indicate small effect sizes, implying limited standalone influence on retention outcomes.

In contrast, Hypotheses 1, 2, 4, 6, 7, and 8 were not supported. Variables such as motivation, trust, transparency, career development, and feedback quality demonstrated weak correlations (r ranging from .10 to .15), reflecting small or negligible effect sizes, and did not contribute significantly in the multivariate model. These findings suggest that, although conceptually relevant, these factors may not independently influence employee retention when other PMS dimensions are considered.

An unexpected result was observed for Hypothesis 10, where organizational commitment showed a weak positive correlation ($r = .07$; negligible effect size) but a significant negative regression coefficient ($\beta = -0.215$, $p < .05$), indicating a suppression effect. This reversal highlights the complexity of relationships among PMS variables and suggests that organizational commitment may interact with other predictors in influencing retention.

Overall, the findings demonstrate that while most of the PMS dimensions are broadly correlated with employee retention, only a few subsets of variables, particularly procedural justice, employee engagement, and PMS-driven retention mechanisms, exert meaningful and practically significant effects. The inclusion of effect size interpretation strengthens the conclusion that these factors are not only statistically significant but also substantively important in understanding employee retention in the BPO context.

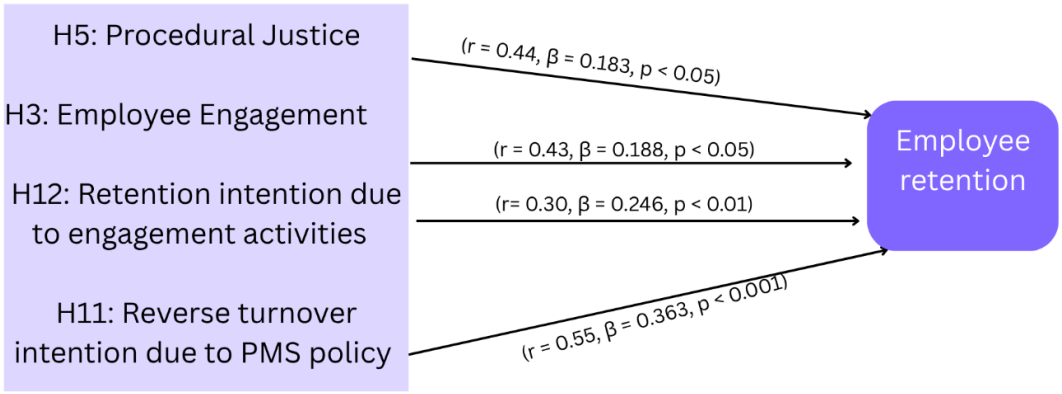


Figure 2: Hypothesis testing results

Discussion

The present study examined the impact of PMS dimensions on employee retention in the BPO sector. The findings provide strong evidence that not all PMS components contribute equally to retention, with fairness, engagement, and turnover-related mechanisms emerging as the most influential factors.

A key finding of this study is the dominant role of turnover-related PMS mechanisms, particularly reverse turnover intention, which showed the strongest effect on retention. This result is consistent with Tett and Meyer (1993), who identified turnover intention as the most immediate predictor of actual turnover behavior. In the Indian BPO context, similar findings have been reported by Kumar and Arora (2012), who observed that structured HR practices significantly reduce attrition. These findings support Social Exchange Theory (Blau, 1964), suggesting that employees reciprocate favorable organizational practices by remaining with the organization.

The study also highlights the critical role of procedural justice (fairness) in influencing retention. This aligns with Equity Theory (Adams, 1965) and prior empirical work by Colquitt et al. (2001), which emphasized the importance of fair processes in shaping employee attitudes. In BPO environments, where performance monitoring is intensive, fairness in appraisal becomes particularly important. Supporting this, Thite (2010) found that perceived fairness in offshore IT-enabled services significantly improves employee retention.

Employee engagement emerged as another key predictor of retention, reinforcing findings from Saks (2006) and Gruman and Saks (2011), who identified engagement as a central mechanism linking HR practices to employee outcomes. In the Indian ITES/BPO sector, Bhatnagar (2007) also demonstrated that engagement-driven HR practices enhance employee retention. The present study confirms that engagement not only improves work involvement but also strengthens employees' intention to remain with the organization.

Interestingly, variables such as job satisfaction, distributive justice, and rewards showed only moderate correlations with retention but were not significant in the regression model. This finding aligns with Hausknecht et al. (2009), who argued that satisfaction alone is insufficient to retain employees, particularly in dynamic and high-pressure work environments. In the BPO context, employees may prioritize fairness, growth opportunities, and performance-based systems over general job satisfaction.

A notable contribution of this study is the unexpected negative effect of organizational commitment on retention in the regression analysis. While traditional literature (Meyer & Allen, 1991) suggests a strong positive relationship, recent studies in the BPO and ITES sectors (e.g., Bhatnagar, 2012; Thite, 2010) indicate that employees are increasingly driven by instrumental factors rather than emotional attachment. This suggests a shift in retention dynamics, where employees evaluate organizational practices pragmatically rather than affectively.

Furthermore, variables such as motivation, trust, transparency, career development, and feedback quality showed weak relationships with retention, indicating that these factors may function as supporting conditions rather than primary drivers. This finding extends existing literature by distinguishing between core and peripheral PMS elements in influencing retention outcomes.

Overall, the study confirms that fairness, engagement, and PMS-driven turnover reduction mechanisms are the most critical determinants of employee retention in the BPO sector. These findings suggest that organizations should adopt a targeted approach to PMS design, focusing on elements that have the greatest practical impact in high-turnover environments.

Theoretical Implications

This study contributes to human resource management literature by extending established theories within the BPO context. The findings support Social Exchange Theory (Blau, 1964), indicating that employees are more likely to remain with organizations that offer fair and beneficial PMS practices. The significant role of procedural justice and engagement suggests that employees reciprocate fair treatment and involvement through positive retention behavior.

The results also reinforce Equity Theory (Adams, 1965) by highlighting the importance of fairness in performance evaluation. Procedural justice emerged as more influential than outcome-based factors, suggesting that employees value fair processes over mere rewards, thereby advancing the understanding of justice perceptions in PMS.

At the same time, the study challenges traditional assumptions regarding organizational commitment. Contrary to prior research (Meyer & Allen, 1991), commitment did not positively influence retention and showed a negative effect. This suggests that in high-turnover sectors like BPO, retention is driven more by instrumental and situational factors than by emotional attachment. Finally, the study differentiates between primary and secondary drivers of retention. While motivation, trust, and feedback remain theoretically relevant, they do not independently predict retention when stronger factors such as fairness and engagement are considered. This provides a more nuanced understanding of PMS effectiveness in service-sector organizations.

Limitations

Despite its contributions, the study has several limitations. The cross-sectional design limits causal inference, and longitudinal studies are needed to better understand changes over time. Further, the use of self-reported data may introduce common method bias and social desirability effects. Although controlled statistically, some bias may still exist. Additionally, the study focused on BPO organizations in Bangalore, which may limit generalizability to other regions or industries with different work dynamics.

Future Research Recommendations

Future research should adopt longitudinal designs to better capture causal relationships between PMS and retention over time. This would strengthen the robustness of findings. Further studies can expand across different industries and geographical contexts to improve generalizability and enable comparative analysis. The unexpected negative role of organizational commitment warrants further investigation, particularly in high-turnover sectors, to determine whether this is context-specific or indicative of broader changes in employee behavior.

Conclusion

The present study is a valuable addition to the existing literature on gaining higher employee retention, specifically in the context of India's BPO sector as a South Asian country. This study incorporates a few potential dimensions, such as procedural justice, employee engagement, and PMS-driven distributive justice and rewards, which significantly influence employee retention, with reverse turnover intention due to PMS policy emerging as the strongest predictor. Overall, while several PMS factors are positively related to retention, only a few demonstrate meaningful independent effects in the BPO context.

Declaration of Conflicting Interests

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Figure 1: Conceptual framework of the study

Figure 2: Hypothesis testing results