

Performance Appraisal and Employee Retention in Tanzania's Hotel Industry: Mediating Effect of Selected HR Practices

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ABSTRACT

This study examines the challenges associated with retaining non-managerial hotel employees in Northern Tanzania. Guided by Social Exchange Theory, the study investigates the influence of key human resources management practices (HRMP), including Performance appraisal (PA), recruitment and selection (RS), training and development (TD), and compensation and reward (CR) on employee retention (ER). Quantitative data were collected from 365 hotel employees through random sampling, and the hypothesized structural relationships between HRMP dimensions and ER were assessed using partial least squares analysis. The findings indicate that PA alone is insufficient to enhance ER. Furthermore, RS and CR significantly mediate the relationship between PA and ER. Whereas TD does not demonstrate a significant mediating effect. To strengthen the RS and CR mediation effects, align RS criteria with PA evaluation metrics, and ensure that PA ratings clearly determine fair and equitable CR to eliminate bias, build trust, and increase ER. TD fails to mediate the PA-ER relationship when employees feel the new skills learned cannot be applied for career progression within the current Organization.

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Contribution/Originality: Few studies have empirically tested the direct and mediating roles of recruitment and selection, training and development, and compensation and rewards in the relationship between performance appraisal and employee retention in the Tanzanian hospitality context, particularly among non-managerial employees. This research aims to fill that gap

1. Introduction

Northern Tanzania's tourism destinations, concentrated around Serengeti National Park and Mount Kilimanjaro, attract a large share of international and domestic tourists. The hotel industry in the region's tourism spots requires skilled manpower to deliver high service standards to tourists. Retaining employees is essential to ensure the continuous and sustainable delivery of professional services, which enhances operational efficiency and customer experience (Al-Suraihi et al., 2021). Employee retention (ER) in the hotel industry is critical, yet challenging.

Formal human resources management practices (HRMP) are crucial for increasing ER (Hussein et al., 2022). The uneven application of key HRMP components, performance appraisal (PA), recruitment and selection (RS), training and development (TD), and compensation and rewards (CR), reduces ER (Mehmood et al., 2025). PA systems play a central role in linking employee performance to retention in hotel service settings. Effective PA improves clarity, fairness, and developmental feedback, which supports employee engagement and commitment (Basnyat and Lao, 2019). However, in many hotels, PA systems lack transparency and a developmental focus, undermining trust and reducing their impact on ER (Nguyen et al., 2023; Bayo-Moriones et al., 2020).

Effective RS practices openly influence ER in hotels by ensuring that candidates not only possess the required skills but also match the organizational culture and service standards (Nguyen et al., 2023). By hiring individuals who share hotel values and customer service expectations, hotels reduce turnover caused by job mismatch or dissatisfaction. Structured RS processes, including realistic job previews and competency-based interviews, improve early engagement and commitment, thereby enhancing employee loyalty and long-term retention.

Training and development (TD) further influence ER by building employees' capabilities and indicating organizational support. In the hotel industry, continuous skill development is important for service quality and career progression. However, irregular or poorly structured TD programs often create skill gaps and reduce morale (Massae et al., 2022; Mirando, 2021). When effectively implemented, TD demonstrate an organization's long-term investment in employees, thereby building loyalty and ER (Pallangyo and Hanai, 2020).

Compensation and reward (CR) systems directly shape ER by influencing employees' perceptions of fairness and value. In hotel contexts, short pay relative to heavy workload and high living costs leads to dissatisfaction and low organizational attachment (Miraji, 2024; Masanja and Katembo, 2021). Poor CR reduces employees' sense of being valued, which negatively affects morale and ER. On the other hand, well-structured reward systems improve satisfaction, commitment, and ultimately ER (Rubel et al., 2021). Hence, to understand the relationships between PA, RS, TD, ER and CR, the study's first research objective is to measure the direct positive effect of PA on RS, TD, ER and CR.

Analyzing the mediating role of HRMP components between PA and ER is important because it reveals how and why PA influences ER rather than assuming a direct relationship. Without understanding the role of these mediators, interventions may be misguided. For example, simply improving PA transparency may not improve retention if RS, TD, or CR practices are weakly implemented. Understanding the mediating pathways helps managers design coordinated approaches linking PA with RS, TD, and CR to ensure

PA systems translate into sustained commitment and reduce the ER impact. The second research objective is to measure the mediating effects of RS, TD, and CR on the relationship between PA and ER.

The region's hotel industry faces ongoing workforce turnover problems that disrupt team cohesion, increase recruitment costs and hinder efforts to build service excellence (Masanja and Katembo, 2021). Non-managerial employees, including frontline staff such as receptionists, housekeeping personnel, waiters and kitchen staff, are full-time employees who deliver core services and support daily operations. Their job performance is key in shaping customer experiences. High employee turnover which is often associated with limited organizational support and increased job stress (Mohamad et al., 2025) reduces ER, thereby disrupting service delivery, reducing customer satisfaction and increasing hiring and training costs (Al-Suraihi et al., 2021).

Therefore, it is critical for in-depth studies on the influence of HRMP's dimensions on ER that specifically target non-managerial hotel employees in the region. In Tanzania, existing ER studies within the hospitality sector remain limited in scope, often relying on localized or relatively small samples that restrict the generalizability of findings (Pallangyo and Hanai, 2020; Masanja and Katembo, 2021). To address the limitations, the study examines a larger and more representative sample of non-managerial hotel employees across multiple hotel establishments in Northern Tanzania. Rigorous sampling techniques and quantitative analysis are applied to enhance generalizability.

2. Literature Review

Social Exchange Theory (SET) posits that non-managerial hotel employees, who often deal with high-stress roles, will use cost-benefit analysis to determine their reciprocating behavior (Homans, 1958). Employees feel obliged to pay back with better behavior (such as increasing the ER) when the hotel's HRMPs make them feel appreciated and valued (Meira, 2021; Rubel et al., 2021). If the costs are too high with sufficient fair CR and/or career advancement opportunity, commitment drops and negatively impacts ER.

2.1. Literature gaps

Despite extensive research on HRMP and ER, several gaps remain. First, many studies (Anwar and Abdullah, 2021; Memon et al., 2016) focus on individual HRMP components rather than testing multiple HRMP components and ER together within a single empirical study. This study fills this gap by looking at the direct effect of each HRMP component (PA, RS, TD, and CR) on ER. Testing multiple HRMP dimensions in a conceptual model offers a fuller understanding of how HRM systems together influence ER in the study region's hotel settings.

Studies in Tanzania have looked at the direct effects of a few HRMP dimensions on ER (Msuya and Khamsini, 2026; Mahwaya, 2024). However, the studies have overlooked the potential HRMP dimensions' mediating effects in modifying the ER behavior. The present study addresses this by positioning RS, TD, and CR as mediators within a modified SET framework (see Figure 1). This approach potentially expands the framework by clarifying the indirect pathways through which HRMP dimensions enhance ER in Northern Tanzania's hotel industry.

The majority of HRMP and ER empirical research was conducted in developed economies (Jarkovská and Jarkovská, 2022; Davern, 2021; Zámečník and Kožíšek, 2021). In Tanzania, existing HRM studies (Mahwaya, 2024; Hanai, 2020; Onyango, 2020) largely focus on non-hotel sectors, such as manufacturing, banking, education, or public institutions, leaving the hotel industry underexplored. This creates a geographical and sectoral gap, particularly regarding the retention of non-managerial hotel employees who deliver core services. This study addresses the limitation by examining HRMPs within Northern Tanzania's hotel sector, providing context-specific insights into ER and offering theoretical contributions relevant to tourism-based service organizations in developing-country settings.

2.2. Hypotheses Development

Based on the first research objective, four hypotheses (H1 to H4) are established. Data collected through PA provides criterion information that helps recruiters identify candidates with the highest potential for success in specific roles, thereby improving selection quality. PA systems allow organizations to identify the key performance indicators (KPIs) and specific behaviors that lead to high performance, which are then used to update selection criteria for new hires (Carlson et al., 2006). By systematically analyzing appraisal outcomes, organizations can refine person-job and person-organization fit, transforming PA from an isolated administrative task into a strategic diagnostic tool that enhances the effectiveness of talent acquisition (Xi et al., 2025). In line with a configurational approach, aligning PA results with hiring decisions ensures that HRMPs work in unison, strengthening the overall HR system and increasing the ability of the organization to select suitable talent (Xi et al., 2025). PA records allow organizations to evaluate the effectiveness of their previous selection methods and refine them, improving the overall quality of future hiring. Therefore, we hypothesize H1, PA systems positively influence RS practices.

H1: Performance appraisal positively influences recruitment and selection practices.

Ong and Koh (2018) found that PA and TD are significantly related to employee performance, acting as key factors for improvement in manufacturing companies. As shown by in Stor and Haromszeki's (2025) study, strategic HRMPs that focus on employee development and sustainable performance will directly improve organizational outcomes by linking performance feedback with development needs and opportunities. Such a strategy supports the company's resilience and competitive advantage. PA is a useful tool for hotel industry management to identify skills gaps. Assessing employee capabilities against established job requirements enables hotel organizations to identify weaknesses in employee performance and areas requiring improvement and revealing skill deficiencies helps the hotel industry to better match its training, career development, and performance standards in the future, which supports H2.

H2: Performance appraisal positively influences training and development practices.

Fair and transparent PA builds trust in management, increases job satisfaction, and deepens organizational commitment. When employees feel they are valued and fairly assessed, the ER impact increases (Shah et al., 2021). Amjad and Khan (2024) found that PA significantly affects ER in the banking sector. Similarly, Shah et al. (2021) and Hong et al. (2012) report that fair and transparent PA practices decrease turnover intentions. Regular feedback and career discussions stemming from PA support professional growth

and organizational loyalty. When employees believe evaluations are fair and focused on development, they are more likely to stay with the organization. We therefore predict H3.

H3: Performance appraisal positively influences employee retention.

CR systems are often anchored in performance outcomes, making PA a key determinant of reward allocation. Performance-based pay improves perceptions of fairness and procedural justice when employees see a clear link between effort and reward (Carlson et al., 2006). Batta et al. (2023) further note that fair HRMPs improve job satisfaction and performance, partly through equitable CR mechanisms. By providing objective performance metrics, PA systems enable differentiated reward distribution, motivating employees and encouraging desired behaviors. Hence, PA supports CR practices by ensuring merit-based recognition, which supports H3.

H4: Performance appraisal positively influences compensation and reward practices.

Based on the second research objective, the following mediation hypotheses are established. Effective RS ensures that employee skills match organizational needs, which helps reduce early turnover. Studies generally show that strong RS practices improve ER across various industries (Amjad and Khan, 2024; Minja, 2024; Shrestha and Prajapati, 2023). When employees feel a good person–organization fit, they report greater satisfaction and a stronger desire to stay (Halid et al., 2024). Evidence from Malaysian industrial settings also supports this positive link (Lee et al., 2013). Therefore, effective RS processes directly support ER, confirming H5.

The discussion for H1, H3, and H5 shows that PA, RS, and ER are interrelated. PA data sharpens RS criteria (Xi et al., 2025), which improves employee fit and ER (Halid et al., 2024), or PA directly and indirectly influences ER through the mediation effect of RS. This study's conceptual framework suggests that PA, when carried out well, acts as a foundation for sharpening RS criteria, leading to a better "person-job" fit. This improved matching helps reduce the high turnover rates commonly experienced in the hotel industry, supporting H8.

H5: Recruitment and selection practice positively influences employee retention.

H8: Recruitment and selection mediates the relationship between performance appraisal and employee retention.

CR remains one of the strongest predictors of ER. Competitive and fair reward systems address extrinsic motivational needs and lower turnover intentions (BaniMelhem et al., 2018). Amjad and Khan (2024) also found that CR significantly influences ER in banking institutions. PA directly influences reward allocation (Carlson et al., 2006), and CR significantly predicts ER (Hassan, 2022). The overall empirical evidence supports a positive relationship between rewards and ER, confirming H6.

Hassan (2022) demonstrated that CR systems mediate the relationship between PA and ER in the Maldivian retail sector. Effective PA practices influence perceived fairness, which shapes reward allocation, ultimately improving employee satisfaction, motivation, and commitment, thereby improving overall retention outcomes. The discussion shows that when PAs are directly and fairly linked to rewards—such as bonuses, pay rises, or promotions it creates a social exchange relationship where employees are motivated to

reciprocate with higher loyalty. Perceived fairness in appraisal-linked CR acts as a key mediator between PA and ER for hotel non-managerial staff, driven by the need for justice, recognition, and tangible benefits in a high-stress industry, supporting H9.

H6: Compensation and reward practice positively influences employee retention.

H9: Compensation and reward mediate the relationship between performance appraisal and employee retention.

Training and development (TD) shows organizational commitment to employee growth, deepening psychological attachment. Research shows that development opportunities improve loyalty and reduce turnover intentions (Reyes and Bendalyn, 2022; Hong et al., 2012). Islam et al. (2022) further found that green TD positively influences millennial ER. Employees who perceive career advancement opportunities are less likely to seek alternative employment (Wei et al., 2022). By building skills and future employability within the organization, TD programs support engagement and long-term commitment. These findings provide the basis for establishing H7.

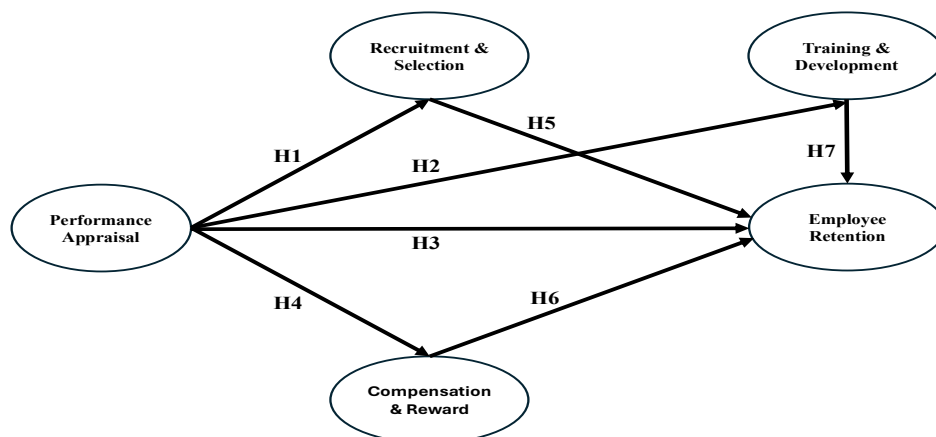
PA systems, when designed effectively, measure performance to identify specific deficiencies or development areas in planning future TD programs (Ong and Koh, 2018). TD initiatives help build employee commitment and significantly lower turnover intentions (Hong et al., 2012). Stor and Haromszeki (2025) note that effective appraisals identify development needs, and when supported by training, employees feel valued and supported, increasing job satisfaction, organizational commitment, and ultimately their intention to remain with the organization. Based on the empirical studies' results, an efficient and fair PA system is important for creating a positive work environment, as it focuses on employee development rather than merely punishing underperformance. By replacing corrective measures with constructive feedback and development planning, hotels support better ER, as per H10.

H7: Training and development practice positively influences employee retention.

H10: Training and development mediate the relationship between performance appraisal and employee retention.

From the developed hypotheses, the study's conceptual model is shown in Figure 1.

Figure 1: Conceptual Model



Note: Direct paths: H1 to H7. Mediating paths: H8 (the mediating effect of RS between PA and ER), H9 (the mediating effect of CR between PA and ER) and H10 (the mediating effect of TD between PA and ER)

3. Methodology

This study focuses on non-managerial employees because they constitute the largest segment of the hotel workforce and deliver hotel service directly to customers, making them important for examining ER. Non-managerial staff refers to employees without supervisory or managerial responsibilities who perform operational roles. The study specifically includes full-time (permanent) employees, defined as individuals under continuous contractual employment arrangements with regular salaries and benefits. This group is selected for their consistent exposure to formal HRMPs, unlike part-time or seasonal employees, whose temporary employment conditions may limit such exposure and influence retention differently.

A closed-ended questionnaire was used to gather cross-sectional data from non-managerial employees working in selected hotels in the Arusha, Kilimanjaro, and Manyara regions. Closed-ended questions carried quantitative analysis and allowed for equivalence across respondents. These regions were selected for their significance to Tanzania's tourism industry and their high concentration of hotels serving both domestic and international visitors. The hotels are mainly located in municipal councils and popular tourist destinations, such as Ngorongoro Crater and National Parks such as Tarangire and Arusha (in Arusha region), Mount Kilimanjaro (in Kilimanjaro region), and Manyara and Serengeti (in Manyara region), where hotel activity is concentrated.

These regions are home to diverse and globally recognized tourism attractions. The Arusha region is known for its rich wildlife resources and proximity to major safari destinations, including Ngorongoro and Tarangire, making it a central hub for tourism. The Kilimanjaro region is known for Mount Kilimanjaro, Africa's highest peak, which attracts international visitors for trekking and adventure tourism. The Manyara region is well-known for its scenic landscapes, including Lake Manyara National Park, famous for tree-climbing lions and birdlife, and for its proximity to the Serengeti ecosystem, one of the world's most important wildlife migration corridors. A structured questionnaire supports measurement consistency and improves the reliability and comparability of responses across the sample. The direct and indirect relationships among PA, RS, TD, CR, and ER were tested using a partial least squares structural equation modeling (PLS-SEM) approach.

The sample size for this study was determined using Yamane's formula, which is appropriate when the population is known and relatively uniform. In this case, the target population included 5,250 non-managerial employees, working in the hotels across Arusha, Kilimanjaro, and Manyara regions in Northern Tanzania as of 2022, according to tourism sector statistics and reports (Ministry of Natural Resource and Tourism, 2022). The assumption of relative uniformity is because non-managerial employees in the hospitality industry typically carry out similar operational roles such as front desk service, housekeeping, food and beverage service, and customer care, and are exposed to similar working conditions, organizational structures, and service standards. These shared traits suggest they are likely to have similar perceptions, attitudes, and behavioral responses to the study variables, justifying the use of Yamane's formula. A 95%

confidence level and a 5% margin of error were used, which are standard in social science research.

Using the formula: $n = N/[1+N(e^2)]$ (1)

where,

‘n’ denotes the sample size

‘N’ represents the population count

‘e’ represents the level of precision (error term)

$n = 5,250/[1+5,250(0.05^2)] = 371.6$

The calculated sample size is 372 employee respondents and was proportionally distributed across the three regions based on the number of non-managerial employees in each area. A total of 25 hotels were selected from three designated regions, located in the Northern Tanzania zone. The total number of non-managerial employees in each region is obtained from the region’s Municipal Council. A total of 212 respondents were selected from the Arusha region, which has the largest share of non-managerial employees (3,000). The remaining 141 and 19 respondents were selected from Kilimanjaro and Manyara regions (see Table 1).

Table 1: Distribution of sample size in respective tourism industries and regions

Region (selected hotels)	Total non-managerial hotel employees in selected regions (a)	% of total non-managerial employees’ population (b) = (a) / total non-managerial employees, or 5,250 x 100%	Sample size (c) = (b) x 372
Arusha: (Ngaranasero Lodge, Duluti Lodge, Serena Hotel, Arusha Backpacker, River Tree Lodge, Mount Meru Hotel, Gran Meliá Arusha, Parrot Hotel Arusha, Villa Arumeru, & Kibo Palace Hotel)	3,000	57%	212
Kilimanjaro. (Simba Farm Lodge, Kilimanjaro Wonders Hotel, Ameg Lodge Kilimanjaro, Salinero Kilimanjaro Hotel, Kibo Palace Hotel Moshi, Kilimanjaro Mountain Resort, Kilimanjaro Snow Peak Hotel, Kilimanjaro White House Hotel, Brubru Lodge, & Kilimanjaro Crane Hotel)	2,000	38%	141
Manyara (Pink Flamingo Boutique Hotel, Mawemawe Manyara Lodge, Manyara Best View Lodge, Lake Manyara Serena Safari Lodge, & Elephant Lodge)	250	5%	19
Total	5,250	100%	372

To ensure each non-managerial employee in each hotel has an equal chance to participate in the study's survey, a probability sampling method is used. Facilitated by hotel human resources (HR) departments, a sampling frame, which consists of an updated list of non-managerial employees' names and their job categories, is used to randomly select the survey's respondents, using a computer-generated randomization procedure. This approach ensured representativeness and consistency across all selected hotels and study regions.

The selected respondents received a self-administered questionnaire, distributed using the drop-off and pick-up method. Trained research assistants visited the selected hotels and distributed the questionnaires to selected employees. HR personnel were requested to assist the research assistants in handing over the questionnaire to employees who were not available during the initial visit (such as marketers, tour guides, or off-duty staff). Respondents can complete the questionnaire at their convenience.

To preserve confidentiality and avoid unauthorized access, respondents were instructed to return the completed questionnaire directly to the research assistants during follow-up visits or mail it to a specific research assistant. No intermediaries were allowed to collect the completed questionnaires on behalf of the assigned research assistant. This procedure ensured that neither HR staff nor any third party could view respondents' answers.

All HRMP dimensional variables (PA, RS, TD, and CR) and the dependent variable (DV), ER items were rated using a seven-point Likert scale, from 1 (strongly disagree) to 7 (strongly agree). The Seven-point scale was chosen for its clarity, simplicity, and reliable psychometric properties. It offered enough variation for statistical analysis while being easy for respondents to complete (Taherdoost, 2019). The questionnaire items were adapted from selected sources (see Table 2) to fit the context of the hotel industry in Northern Tanzania. Two pre-tests involving an academician and an expert HR were conducted to ensure the adapted items preserve the conceptual meaning of the adopted items. Then, a pilot study involving 50 representatives from the target population was conducted to evaluate the pre-tested questionnaire. If they cannot understand what an item aims to measure, they are welcome to give their feedback to the study's researchers. Minor adjustments were made to improve understanding and remove ambiguities. Upon completing the amendment, the pilot study representatives were requested to answer the amended questionnaire. To ensure the amended questionnaire item statements are fit for distribution to the main study's respondents, a reliability coefficient for each construct was computed. All constructs' reliability coefficients are higher than the threshold of 0.70, indicating satisfactory internal consistency. This signifies that the pilot-tested questionnaire is fit and can be distributed to the main study's respondents.

Table 2: Studied Constructs' Measuring Items

Variables	Source	Code	Items
Recruitment and Selection	Matookchund (2019)	RS1	Recruitment and selection decisions follow proper procedures and processes.
		RS2	Interview panels are part of the staffing process in this organization.
		RS 3	All appointments in this organization are merit-based

Variables	Source	Code	Items
Training and Development	Matookchund and Steyn (2019), Vallina-Salas et al. (2020)	TD 1	My current company is committed to providing training programmes and development opportunities to employees.
		TD2	My current company encourages employees to participate in the educational and training opportunities they provide.
		TD3	My current company provides me with educational and training opportunities that can extend my range of working skills and abilities.
		TD4	My working company provides the training needed to achieve high work standards.
		TD5	My company encourages employees to attend external formal training programs to learn new skills and knowledge.
Compensation and Reward	Matookchund and Steyn (2019)	CR1	My current salary and work benefits are equivalent to the time and energy I have contributed.
		CR2	I am satisfied with my current company's compensation and benefits system, such as overtime working allowance, medical allowance, leave, annual leave entitlement, insurance package, and TADA (Travel Allowance Daily Allowance)
		CR3	My current working company's compensation and reward systems encourage team and individual contributions.
Performance Appraisal	Matookchund and Steyn (2019)	PA1	My current company's performance management system is fair and based on clear objectives at the term or year.
		PA2	My current company informs employees of the criteria that would be assessed when evaluating their work performance.
		PA3	Employees can formally communicate with supervisors or managers regarding the appraisal results.
Employee Retention	Al Doghan (2022)	ER1	I plan to work at my present company for as long as possible.
		ER2	Culture within the company determines my stay at the company.
		ER3	I see my vertical growth in this company.
		ER4	I work for this company because I don't have alternative work opportunities with other companies.
		ER5	If I get another job with an attractive package, I will quit.

Note: CR=Compensation and Reward, ER=Employee Retention, PA=Performance Appraisal, RS=Recruitment and Selection, TD=Training and Development

Ethical approval was obtained from the appropriate research review board before data collection. Permission was also secured from hotel management before administering the distribution and collection of questionnaires. Participants were informed about the purpose of the study and assured that participation was voluntary. Informed consent was obtained before distributing the questionnaires. Confidentiality and anonymity were strictly maintained, and no identifying information was included in the dataset. Research assistants were trained on ethical procedures to ensure respect for participants and compliance with professional standards throughout the study.

To test and confirm the study's hypotheses, PLS-SEM was used to analyze the measurement and structural models of the main study data (Hair et al., 2020, 2021). The measurement model indicates that constructs are measured reliably and validly by calculating the indicator reliability, internal consistency, convergent validity, and discriminant validity. After these criteria are met, a structural model is tested to evaluate the significance and strength of the proposed paths, the explanatory power (R^2), effect sizes (f^2), and predictive relevance (Q^2).

4. Results

4.1. Demographic Profile

A total of 372 answered questionnaires were collected. Though six responses were excluded due to incompleteness. Table 3 shows that about 68% of the respondents are males and 32% are females. About 76% of the respondents were aged between 18 and 45. Most of employees have more than five years of experience (58.36%), suggesting a relatively experienced workforce. In terms of education, most respondents possess secondary education (36.71%) or certificate/diploma qualifications (33.15%), while fewer hold bachelor's degrees (15.34%) and only one has an advanced academic qualification like a PhD, reflecting a workforce with moderate skill levels.

The demographic profile of the respondents was compared with the broader workforce characteristics of the accommodation sector in Tanzania to check how well the sample represents the wider workforce. The gender distribution (68% male and 32% female) is broadly consistent with the pattern in the sector, where male employees tend to outnumber females in operational roles due to job demands and socio-cultural factors (International Labour Organization, 2018). The age structure and educational levels also match national labour trends, which indicate a largely young and vocationally trained workforce in the hospitality industry (National Bureau of Statistics, Tanzania, 2021). Overall, the sample reasonably reflects the characteristics of the target population.

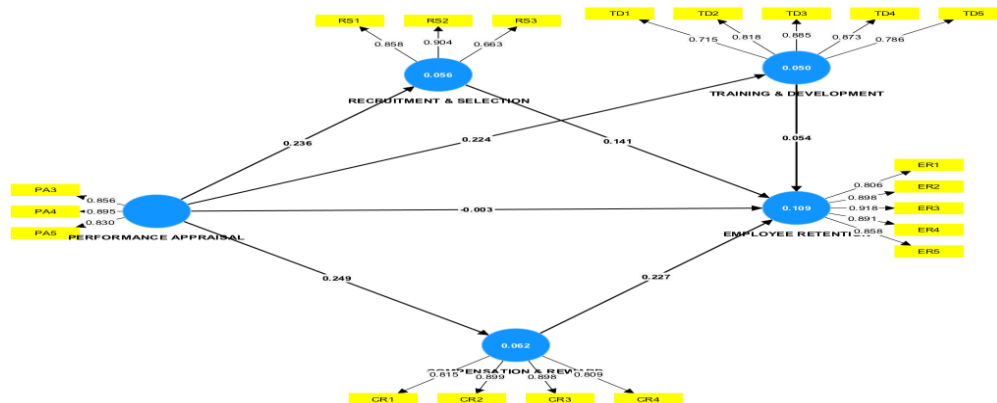
Table 3: Statistical Demographic Profile Result

Variable	Category	Frequency	Percentage (%)
Gender	Male	248	67.95
	Female	117	32.05
Age (years)	18-35	122	33.42
	36-45	155	42.47
	46-59	85	23.29
	60+	3	0.82
Working Experience	1-5 years	152	41.64
	>5 years	213	58.36
Highest Education	Certificate/Diploma	121	33.15
	Secondary	134	36.71
	Bachelor's/Professional Degree	56	15.34
	Primary	53	14.52
	Doctorate	1	0.27

4.2. Assessment of Measurement Model

The measurement model was tested to see how well the constructs hold up before examining the structural relationships. Precisely, indicator reliability, composite reliability, factor loading estimates, Average Variance Extracted (AVE), and Heterotrait–Monotrait correlation ratio (HTMT) were examined. These confirm whether the observed variables properly represent their respective latent constructs. The overall structure of the measurement model and the relationships among indicators and constructs are shown in Figure 2.

Figure 2: Measurement Modelling Structure



As shown in Table 4, Cronbach’s alpha values ranged from 0.741 to 0.923, and composite reliability values ranged from 0.773 to 0.927, exceeding the recommended threshold of 0.70, thereby confirming the internal consistency reliability (Izah et al., 2023; Hair et al., 2021). Convergent validity was assessed using the AVE criterion and factor loadings. As shown in Table 4, AVE values ranged from 0.664 to 0.765, surpassing the recommended threshold of 0.50. This suggests that each construct explains more than 50% of the variance in its indicators, indicating adequate convergence among the measurement items (Hair et al., 2021). The AVE values ranged from 0.664 to 0.765, met the satisfactory level of AVE, which is more than 0.5 (Hair et al., 2021). Additionally, most indicator loadings exceeded the recommended threshold of 0.70, except for RS3 (0.663), for which the item was retained at the threshold, as Cronbach’s alpha, composite reliability, and AVE were met. These results confirm that the indicators are strongly linked to their respective constructs and that the measurement model meets the criteria for convergent validity.

Table 4: Internal Consistency, Factor Loadings, and Convergent Validity Statistics

Construct / Items	Loadings	Cronbach’s Alpha	Composite Reliability	AVE
Compensation and Reward		0.878	0.889	0.733
CR1	0.815			
CR2	0.899			
CR3	0.898			
CR4	0.809			
Employee Retention		0.923	0.927	0.765
ER1	0.806			
ER2	0.898			
ER3	0.918			
ER4	0.891			

ER5	0.858			
Recruitment and Selection		0.741	0.773	0.664
RS1	0.858			
RS2	0.904			
RS3	0.663			
Training and Development		0.875	0.887	0.669
TD1	0.715			
TD2	0.818			
TD3	0.885			
TD4	0.873			
TD5	0.786			
Performance Appraisal		0.829	0.857	0.740
PA3	0.856			
PA4	0.895			
PA5	0.830			

Note: CR=Compensation and Reward, PA=Performance Appraisal, ER=Employee Retention, RS=Recruitment and Selection, TD=Training and Development.

Discriminant validity was evaluated using two established criteria: the Heterotrait-Monotrait Correlation ratio (HTMT) and the Fornell-Larcker criterion. The HTMT values shown in Table 5 were all below the conservative threshold of 0.85 (Hair et al., 2021; Li et al., 2022), indicating that the constructs are distinct and do not have problematic overlaps. This suggests that each construct represents a unique conceptual area within the model. Additionally, the Fornell-Larcker results in Table 6 show that the square root of the AVE for each construct (diagonal elements) exceeds the corresponding inter-construct correlations (Hair et al., 2021). This further confirms that each construct shares more variance with its own indicators than with other constructs. Together, the HTMT and Fornell-Larcker outcomes provide strong evidence of discriminant validity. Overall, the measurement model satisfies all necessary reliability and validity standards, supporting progression to the evaluation of the structural model (Hair et al., 2020; 2021).

Table 5: Discriminant validity Heterotrait-monotrait ratio (HTMT) – Matrix

Constructs	CR	ER	PA	RS
CR				
ER	0.326			
PA	0.285	0.100		
RS	0.340	0.253	0.279	
TD	0.650	0.242	0.248	0.367

Note: CR=Compensation and Reward, PA=Performance Appraisal, ER=Employee Retention, RS=Recruitment and Selection, TD=Training and Development.

Table 6: Fornell-Larcker criterion

	CR	ER	PA	RS	TD
CR	0.856				
ER	0.295	0.875			
PA	0.249	0.099	0.861		
RS	0.262	0.214	0.236	0.815	
TD	0.584	0.221	0.224	0.249	0.818

Note: CR=Compensation and Reward, PA=Performance Appraisal, ER=Employee Retention, RS=Recruitment and Selection, TD=Training and Development

Table 7: Multicollinearity Assessment (VIF Values)

VIF		VIF	
CR1	2.085	TD1	1.947
CR2	2.940	TD2	2.894
CR3	3.070	TD3	3.263
CR4	2.179	TD4	3.116
ER1	2.306	TD5	2.137
ER2	3.694	PA3	1.709
ER3	4.361	PA4	2.964
ER4	4.216	PA5	2.218
ER5	3.109		
RS1	1.987		
RS2	2.405		
RS3	1.324		

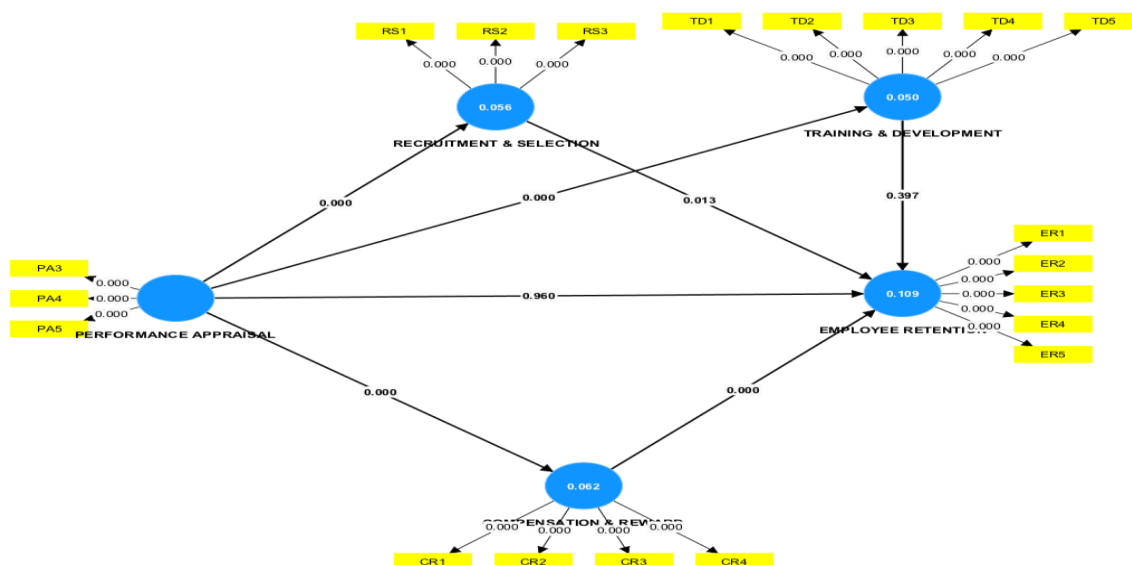
Note: CR=Compensation and Reward, PA=Performance Appraisal, ER=Employee Retention, RS=Recruitment and Selection, TD=Training and Development.

Additionally, Variance Inflation Factor (VIF) values were below the critical threshold of 5 (see Table 7), indicating that there was no collinearity issue (Hair et al., 2021). Overall, these results confirm that the constructs demonstrate satisfactory reliability and internal consistency.

4.3. Assessment of Structural Model

The assessment of the structural model examines the proposed relationships among the latent constructs after confirming measurement validity and reliability. This review focuses on the strength and significance of the path coefficients (β), supported by t-values and p-values obtained through bootstrapping methods. Further, effect sizes (f^2) are reported to determine each exogenous construct's contribution relevance (Q^2), which indicates how well the model predicts out-of-sample data. The tested structural relationships in this study are shown in Figure 3 (Hair et al., 2021).

Figure 3: Construct Correlation Modelling Structure



ER achieved R^2 value of 0.109, as shown in Table 8, representing that CR, RS, TD, and PA together explain 10.9% of the variance in ER. Although this level of explained variance is modest, it is acceptable in behavioral and organizational research where employee attitudes and ER decisions are influenced by multiple internal and external factors (Hair et al., 2020). The result suggests that HRMPs play a meaningful role in ER, but other variables may also be powerful. Further, the Q^2 values for endogenous constructs were greater than zero, showing adequate predictive validity (Hair et al., 2021). This suggests that the model has acceptable predictive power and that included HRMP components which helps explain variations in ER outcomes.

Table 8: Structural Model Results (F^2 , R^2 , Q^2)

Construct	F^2	R^2	Q^2
Compensation and Reward	0.037	0.062	0.055
Employee Retention	0.059	0.109	0.004
Recruitment and Selection	0.020	0.056	0.047
Training and Development	0.002	0.050	0.044
Performance Appraisal	0.066	—	—

5. Discussions

The findings (as shown in Table 9) further reveal that PA significantly influences RS ($\beta = 0.236$, $p < 0.001$), accepting H1 in the context of the hospitality sector in Tanzania. This indicates that PA metrics help organizations identify the competencies and behaviors associated with high performance and incorporate these insights into hiring standards (Osman et al., 2024). For example, if PA data indicate that collaborative skills lead to better results, RS teams can focus on these traits in new hires, which improves fit with organizational culture. This integration reduces disparities, builds commitment, and indirectly supports ER, showing how PA can improve RS processes (Xi et al., 2025; Osman et al., 2024).

Similarly, PA positively influences TD ($\beta = 0.224$, $p < 0.001$), confirming H2 in Tanzania's hospitality sector. This suggests that the PA metrics reveal skill gaps, performance issues, and growth potential, guiding targeted TD initiatives (Stor and Haromszeki, 2025; Ong and Koh, 2018). Practically, PA-based training ensures resources are used efficiently, focusing on actual gaps rather than general skill needs.

However, PA does not have a direct effect on ER ($\beta = -0.003$, $p = 0.960$), indicating that H3 is not supported. The tiny coefficient and non-significant p-value suggest PA systems alone are not enough to directly influence ER. If PA results do not lead to meaningful outcomes like pay adjustments, promotions, or development opportunities, the direct impact on ER is minimal (Shah et al., 2021; Hong et al., 2012). Feedback without effects may be appreciated, but it does not necessarily build commitment. Employees might value feedback but stay disengaged if it does not result in meaningful recognition or growth. This points to the importance of organizations to link PA with other HR mechanisms, such as TD, CR, and RS fit, to improve ER. PAs work more as drivers of ER through mediated pathways rather than as standalone factors.

The relationship between PA and CR is also positive and significant ($\beta = 0.249$, $p < 0.001$) (as shown in Table 9), confirming H4. Transparent and merit-based PA processes

encourage how CR decisions are made. Empirical evidence shows that structured PA systems provide objective performance data that guide fair and differentiated reward distribution (Carlson et al., 2006; Batta et al., 2023). Employees need assurance that their effort and performance contribute to fair and equitable CR (Batta et al., 2023).

The relationship between RS and ER is positive and significant ($\beta = 0.141$, $p = 0.013$) (as shown in Table 8), confirming H5. Although modest in size, this finding suggests that attracting and selecting suitable employees who possess appropriate technical skills and cultural fit are more likely to remain engaged and committed. When individuals are well matched to job roles and organizational culture, RS is seen as a relevant HRMP, improving its impact on ER. Effective RS reduces early turnover by ensuring that employees can meet role demands and settle into the workplace environment (Badache et al., 2025).

The results show that CR has a positive and significant impact on ER ($\beta = 0.227$, $p < 0.001$), confirming H6. This indicates that when employees perceive compensation structures and reward systems as fair and motivating, they are more likely to stay with the organization. Employees see fair CR as a sign that the organization values their contributions. Although the effect size is small, the finding points to the value of financial and non-financial incentives in reducing turnover intentions and supporting organizational commitment (Masputra et al., 2023). This supports research shows that competitive and fair reward systems decrease turnover intentions and build commitment (Hassan, 2022; BaniMelhem et al., 2018).

In contrast, TD does not significantly impact ER ($\beta = 0.054$, $p = 0.397$) (as shown in Table 9), which means that H7 is not supported. TD represents more than just development; it shows the organization's investment in employees (Jung and Takeuchi, 2019). Organizations believe trainee employees will reciprocate and improve their work retention (Winarno et al., 2022). The lack of support for H7 suggests that TD efforts alone may not ensure ER (Islam et al., 2022; Wei et al., 2022). Employees often see TD as preparation for future opportunities. If those opportunities are not available internally, the newly acquired skills may increase their chances of moving in the external job market. TD without a clear direction can inadvertently encourage employees to leave. For TD to have a meaningful effect on ER, it must be linked to visible career paths, salary growth, or recognition (Islam et al., 2022; Wei et al., 2022). Without that connection, development remains useful but not motivating.

The following results confirm the hypothetical mediation effects of RS, CR, and TD between PA and ER. The indirect effect of PA→RS→ER (H8) is 0.033 (as shown in Table 4), with a t-value of 2.157 and $p = 0.031$, which indicates the significant mediation effect of RS. Again, with a 95% bootstrapped CI that does not straddle zero [LL \approx 0.004, UL \approx 0.062], confirming H8. The full mediation of RS shows that employees are more likely to perceive PA as fairer and more equitable when they are aware of the expected performance standards outlined in the job offer letter, and that this behavior boosts their intention to work continuously. This indicates that the studied hotels have implemented effective RS practices to identify potential employees who are likely to perform well, which impacts the PA effect on ER (Alzoraiki et al., 2024). The H8 result supports Halid et al. (2024) and Masputra et al.'s (2023) findings.

The indirect effect of PA→CR→ER (H9) is 0.057, with a t-value of 2.860 and $p = 0.004$ with a CI excluding zero [LL \approx 0.018, UL \approx 0.096], supporting H9 and indicating the mediation of CR is statistically significant, with a positive effect. The results show that CR is another

mediator that fully mediates the link between PA and ER. Fair and equitable CR practices make employees feel valued and appreciated, which indirectly transforms the PA's effect into a tangible outcome, ER. The support of H9 indicates that the studied hotels have implemented effective CR practices with fair pay adjustments, bonuses, or public recognition, and is consistent with Masputra et al. (2023), Hassan (2022), and Carlson et al's (2006) findings.

Table 9: Constructs Statistical Correlation Assessment

Correlation Effect	Beta	Standard deviation	T statistics	P values	H-Decision
Direct Correlation Effect					
PA → RS	0.236	0.049	4.789	0.000	H1 supported
PA → TD	0.224	0.046	4.871	0.000	H2 supported
PA → ER	-0.003	0.056	0.050	0.960	H3 not-supported
PA → CR	0.249	0.047	5.315	0.000	H4 supported
RS → ER	0.141	0.057	2.494	0.013	H5 supported
CR → ER	0.227	0.064	3.546	0.000	H6 supported
TD → ER	0.054	0.064	0.848	0.397	H7 not-supported
Indirect effect					
PA → RS → ER	0.033	0.015	2.157	0.031	H8 supported
PA → CR → ER	0.057	0.020	2.860	0.004	H9 supported
PA → TD → ER	0.012	0.015	0.807	0.420	H10 not-supported

Note: CR=Compensation and Reward, PA=Performance Appraisal, ER=Employee Retention, RS=Recruitment and Selection, TD=Training and Development

Conversely, the indirect effect of PA→TD→ER (H10) is 0.012 (as shown in Table 9), with a t-value of 0.807 and $p = 0.420$, and its CI includes zero [LL ≈ -0.017 , UL ≈ 0.041], indicating H10 is not supported. This suggests that TD does not significantly mediate the relationship between PA and ER. The support of H2 indicates that PA metrics are being used as a diagnostic tool to identify specific training needs. However, the implemented TD, which originally aims to help employees perform their jobs better, reduces the impact on retention (which explains why H7 is not supported). This indicates that other external factors, such as work environment or organizational structure, limit the opportunity for employees to apply the learned skills.

5.1. Theoretical Contribution

The SET's theoretical framework explains a reciprocal relationship between two variables (Homans, 1958; Blau, 1964). If employees perceive PA as fair, transparent, and accurate, they reciprocate by continuing to work (ER) (Sorn et al., 2023). However, the findings show that PA alone does not ensure ER. The mediation results shift the focus from merely understanding a relationship between two variables (direct effect) to seeing how or why

the relationship exists. Mediation analysis is a useful approach that helps improve the explanatory power of the SET theoretical framework.

RS fully mediates PA and ER. For a 'job-fit' employee who possesses the necessary skills and is well aware of the expected performance standards stipulated in the job offer letter, PA outcomes influence long-term work commitment (ER) (Alzoraiki et al., 2024). PA serves more than just evaluating current employees (Bayo-Moriones et al., 2020). PA is also essential for defining job criteria and selecting future employees who are capable of meeting expected performance standards (Sorn et al., 2023). High-quality RS acts as a "preventive measure" that improves the selection and hiring of person-job and person-organization fit, ensuring that future PA evaluations are accurate and justifiable, which eventually increases ER. This alignment reinforces reciprocity between employee expectations and organizational requirements, and the likelihood of ER (Dadwai and Arya, 2024).

The mediation effect of CR implies that the success of PA in retaining employees depends entirely on proper reward mechanisms, how well it translates into tangible (salary, allowances, and/or bonuses) or intangible (recognition) rewards (Hassan, 2022). Organizations must bridge the gap between their performance expectations and their willingness to compensate and reward them. When employees perceive that their PA leads to fair and equitable CR, they reciprocate with higher intention to stay. The study results highlight the need for a shift. The success of PA as an ER tool depends entirely on organizations' capability to bridge the gap between performance expectations and their willingness to compensate and reward (Hassan, 2022).

TD is not a significant mediator between PA and ER. PA metrics are properly used to identify specific training needs (which support H2). However, employees view TD as irrelevant when the new knowledge and skills learned from TD programs do not provide them with the opportunity to advance their careers, reducing its impact on retention (H7 is not supported). Therefore, future academics need to evaluate the influence of external factors, such as work environment and organizational culture, that have strengthened or weakened the TD's mediation effect. A reciprocal relationship between employers and employees cannot be materialized if employees cannot experience the beneficial impact of TD, although organizations are willing to invest in TD programs.

5.2. Practical Implications

A theoretical framework becomes more actionable for policy planning with mediation analysis and results. It enables policy improvement by highlighting where the mediation mechanism succeeds in the PA effect on ER.

To enhance the RS mediating effect between PA and ER, align the RS criteria with the PA metrics. The implementation of realistic job previews that ensure psychometric and competency-based testing and value-based interview techniques that aim to communicate accurate role expectations, company culture, and performance standards is required for success in the PA system (Khan 2023). The RS of a well-suited candidate strengthens the link between PA and ER (Alias et al., 2025; Wanyama et al., 2025).

To enhance the mediating effect of CR between PA and ER, strengthening the connection between PA and CR is crucial for ER. The PA results directly shape a mix of financial (salary, allowances, bonuses) and non-monetary rewards (career development, flexible

work schedules, and recognition) (Hassan, 2022). Organizations must ensure fair and transparent CR practice to eliminate bias and build trust. Transparency in calculating CR boosts motivation and loyalty, increasing the ER likelihood (Sorn et al., 2023). A comprehensive CR approach that addresses extrinsic needs (such as salary, insurance, and retirement contributions) and intrinsic needs (such as allowing work from home arrangements and facilitating access to nursery care for employees' children or parents) transforms PA into a positive reinforcement tool in increasing ER.

Conducting TD programs based on PA metrics can spark employees' interest to appreciate the programmes, increasing the ER. Standardized TD programs may not be able to address the specific needs of individual employees, making the TD incentives appear superficial. For TD to mediate PA and ER effectively, the new knowledge and skills should align with employees' specific needs and trainees have the opportunity to advance their career by acquiring and applying the new skills.

6. Conclusion

In the end, the study reveals an important insight. PA does not directly influence employees to stay. Instead, its effect occurs indirectly, mainly through the mediating roles of CR and RS. Employees often respond to outcomes than to evaluation themselves. TD, while important, needs stronger ties to advancement and incentives to influence ER in a real way. Skill development alone may not always be sufficient. By grounding the findings in SET, the study shows how reciprocity unfolds in organizations. When employees perceive fairness, support, and growth opportunities, they are more likely to remain committed. The broader message is simple. HRMPs must function as a connected whole. When PA leads to fair rewards, informed hiring, and structured growth, ER improves. And when ER improves, organizations gain stability, performance, and long-term sustainability.

There are several limitations to be acknowledged. First, the study used a cross-sectional design, so it captures relationships at one point in time. We cannot fully claim causality. A longitudinal approach would provide a clear picture into how ER evolves. Second, the focus was limited to non-managerial employees. While this gives clarity at the operational level, the results may not apply equally to managers or executives. Future studies could therefore compare different employee categories. Broader contextual factors, such as Organizational culture, leadership style, and labor market conditions, were not examined in depth. These factors may influence how HRMPs affect ER. Finally, the weak effect of TD raises important questions regarding the conditions under which TD initiatives translate into stronger employee commitment. Further investigation into this relationship would provide valuable insight for future research.

Ethical Approval and Consent to Participate

Ethical approval was obtained from Universiti Tunku Abdul Rahman (UTAR) and the Tanzania Commission for Science and Technology (COSTECH). All participants were assured of the confidentiality and anonymity of their responses and the data collected were used solely for academic purposes.

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Conflict of Interest

The authors declare there are no conflicts of interest.

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