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### Research Article

## An Assessment of Performance Management and Employee Engagement in the Banking Sector: A Case of Absa Bank Zambia in Lusaka

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### About Article

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### ABSTRACT

Performance management is crucial in aligning employee efforts to organizational goals and accelerating engagement and development in the financial sector. The study aimed to assess the impact of performance management on employee engagement in the banking sector in Zambia. It identifies a research gap regarding the effectiveness of performance management strategies in enhancing employee engagement in the banking sector in Zambia. The study employed a mixed-method approach and utilized a descriptive and correlational design, combining 100 structured questionnaires and 10 interviews, out of 100 questionnaires 88 were successfully received, Secondary data was obtained from bank reports and academic sources. Data was analyzed using descriptive statistics and statistical inferences using SPSS V.23. Thematic analysis was used to identify key themes that connect performance management practices to employee engagement. The results revealed that the annual performance reviews were widely used as an appraisal tool in evaluating employees' performance. The study also established that there is a relationship between performance management and employee engagement  $r = 0.569$   $P < 0.05$ , indicating a moderate to strong positive correlation between the variables. However, it was revealed that employees were not satisfied with the performance management review approach. Challenges were identified, including infrequent feedback, a lack of clear communication, a biased reward system, and no proper engagement during the process. The study concluded that addressing such challenges requires a holistic approach to performance management systems. The study recommended the adoption of a more dynamic performance management system approach, improve communication and feedback systems and revamp a fair and unbiased recognition and reward system.

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## 1. INTRODUCTION

Performance management plays a critical role in fostering employee engagement by aligning individual goals with organizational objectives, providing feedback, and supporting professional development in the banking sector (Armstrong & Taylor, 2020). However, despite being a tool for employee feedback and goal alignment, performance management presents many challenges for effective employee engagement, such as biased evaluations and inadequate feedback. This research aims to assess the impact of performance management on employee engagement (EM) by examining how performance management practices influence employee engagement, identify the barriers of performance management and employee engagement, and examine the relationship between performance management and employee engagement in the Banking sector. Understanding this relationship is vital for banks to develop policies that not only enhance performance but also create a motivated and engaged workforce (Balain & Sparrow, 2009).

### 1.1. Background to the study

Performance management in the banking sector in Zambia has evolved significantly over the years during the colonial rule and post-independence period (1960-1970). The Zambian banking sector was relatively simple, with a few state-owned and foreign banks. The focus was primarily on basic banking services, and performance was often measured using traditional and financial metrics and profitability (Moyo, 2023). In 1991, with the liberalization and structural adjustments of the economy of Zambia, the banking sector saw an increased competition and more sophisticated performance measurement systems. By 2000, the Zambian economy grew, and the banking sector became more modernized and diversified with performance management systems and using metrics as a way of performance management measurement.

The Current performance management system has been integrated into practices such as emphasizing a balanced score card, Key performance indicators KPI, and risk-based performance management (Mwenda, 2004). The Banking sector comprises 19 registered commercial banks and is supervised by the Bank of Zambia (BOZ), which is governed by the Banking and Financial Services Act of 2017 (Mathieu, 2017). Absa Bank Zambia ABZ is one of the large financial institutions in Zambia, mandated by the Central Bank of Zambia BOZ to provide banking and financial-related services to retail and corporate businesses in Zambia. The bank is a member of the Absa Bank Group, formally Barclays Group, rebranded to Absa Bank Zambia on October 1, 2019. As part of Absa Group, Absa ABZ performance management system is aligned to groups' broader Human Resource policies and procedures. The performance management approach typically includes Annual performance reviews, Key performance indicators, and goal setting. This approach is designed to promote high levels of employee engagement and ensure that the goals are achieved through the efforts of its workforce.

Research has shown that performance management influences employee engagement in the banking sector. This critical issue has attracted a lot of scholars who have been interested in understanding the effects of performance management on

employee engagement in the financial sector. For instance, Fletcher (2001) indicated that the performance management approach creates a shared vision of the purpose and aims of the organization, helping individual employees understand and recognize their part in performance management and, in so doing, manage and enhance employee engagement. However, researchers are not entirely in agreement as to the negative effect of performance management impact on employee engagement. Several studies have presented credible evidence that appears to contradict the idea that performance management influences employee engagement.

Some scholars such as Smither and London (2009) have argued that performance management does not enhance engagement. The researchers observed that the process is a tick exercise for managers, an administrative activity without a proper performance management assessment that lacks the engagement of employees, and that there is a negative relationship between performance management and employee performance. The lack of agreement among the scholars suggests that there is room for further investigation of this issue. Several gaps are missing in the study of Performance Management and employee engagement, some of these gaps. These gaps could be addressed to provide a more comprehensive understanding of performance management and employee engagement. The first missing gap is the lack of empirical evidence that shows sufficient contextual factors of performance management influencing employee engagement. Organizational culture, industry type, and leadership styles are examples of context-specific variables that can significantly impact the outcomes of performance management interventions.

### 1.2. Statement of the problem

The evidence from the literature has shown that performance management influences employee development. Performance management plays an integral part in managing employee performance and development (Baron & Armstrong, 2004). The effective approach of Performance Management would ideally be expected to improve employee engagement. However, the existing Performance management approach has many challenges in effectively engaging employees in the banking sector, such as biased evaluations and inadequate feedback, the system is treated as a routine administrative exercise rather than a meaningful tool for improving employee performance and engagement and It does not address the adequate factors that drive employee engagement. This has resulted in low levels of employee engagement and increased employee turnover. There is a lack of empirical evidence that links performance management practices with enhanced employee engagement within the banking sector in Zambia. Therefore, there is an existing knowledge gap that should be reduced. This study's objective is to bridge the gap of knowledge by answering questions on the effectiveness of performance management to enhance engagement

### 1.3. Research objective

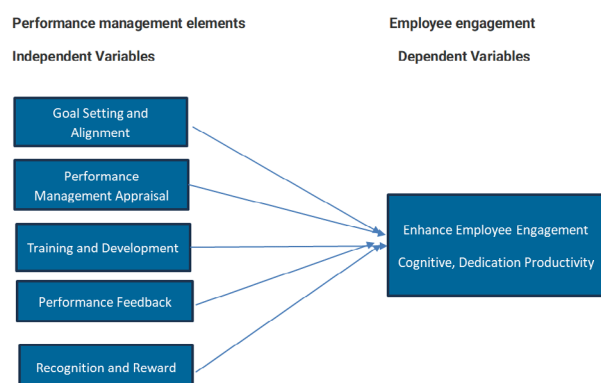
The objective of this study is to assess Performance management to enhance employee engagement in the Banking sector in Zambia. The study addressed the knowledge gap that exists by;



- i. Assess how Performance Management practices impact employee engagement in the banking sector.
- ii. Investigate the barriers to performance management and employee engagement in the banking sector.
- iii. Examine the relationship between performance management and employee engagement in the Banking sector.

#### 1.4. Significance of the study

The significance of this study adds value to the current knowledge on performance management and employee engagement in the Banking sector in Zambia (Mwenda, 2004). It provides insights on improving employee engagement levels by optimizing performance management systems and strategies as well as policies that can ensure fair performance management practices and employee well-being (Moyo, 2023). The study may also add to the body of knowledge on the challenges of performance management practices to enhance employee engagement and the relationship between performance management and employee engagement in the banking sector. The insight may contribute to the development of theories and models in performance management and employee engagement. Further, provide a foundation for further research on Performance management practices across different sector.



**Figure 1.** Conceptual framework

#### 1.5. Conceptual framework

The conceptual framework illustrates the components of performance management and employee engagement. Figure 1 shows the conceptual framework of performance management and employee engagement. The conceptual framework was developed from integrating components of performance management that influence employee performance and engagement. The key components of performance management include performance management (independent variables), which are goal setting and alignment of objectives, performance appraisal, which provides for ratings and key performance indicators (KPI), performance feedback, Training and development, and rewards and recognition. The employee engagement elements (dependent variables) include cognitive engagement, emotional engagement, employee dedication, and employee productivity (Armstrong & Taylor, 2020). The framework shows that well-designed performance management practices positively influence employee engagement, which includes the cognitive, emotional, and behavioural aspects.

## 2. LITERATURE REVIEW

### 2.1. Performance management in the banking sector

Performance management involves setting objectives and aligning employee goals while monitoring employees' progress in skills and competencies and evaluating the outcome to improve both individual and organizational performance (Armstrong & Taylor, 2020). In the banking sector, Performance management is designed to assess both quantitative factors, such as sales targets and customer service metrics, and qualitative factors, such as teamwork and innovation, to evaluate an employee's performance and development. Performance management tools, such as Performance Appraisal, are used to measure performance (Baron & Armstrong, 2004). For Performance management to achieve the results, it lies upon a systematic way of connecting employees and performance appraisal processes of setting goals, an assessment of performance, performance feedback, and recognition and reward system (Mone *et al.*, 2011). Aguinis (2013) described performance management as a continuous process of measuring and developing the performance of individuals and teams and aligning individual performance to the strategic goal of the organization, and further asserted that the Performance management approach involves monitoring financial targets, customer service quality, and regulatory compliance while fostering employee growth and engagement.

### 2.2. Employee engagement in the banking sector

Evidence has shown that Employee engagement results in the emotional commitment and dedication that employees display towards their work and the organization. However, some scholars have argued that engaged employees positively contribute to the development of an organization (Balain & Sparrow, 2009). Most organizations have realized that satisfied employees are not necessarily the best at loyalty and productivity; the best are the engaged employees who are intellectually aligned with the goals of the organization. Engaged employees are passionate and perform beyond average measures to exceed expectations. When employees are positively engaged, they are emotionally attached to the organization (Baron & Armstrong, 2004). There have been studies done on employee engagement productivity, and employee turnover but there hasn't been adequate attention given to the relationship between performance management and employee engagement due to the lack of awareness by organizations and leaders and the necessary skills to implement and enhance employee engagement (Macload & Clark, 2009).

### 2.3. Impact of performance management on employee engagement

Effective performance management fosters a culture where employees are recognised and allowed professional growth, leading to increased job satisfaction and motivation (Gruman & Saks, 2011). According to studies done by Aguinis, Gottfred, & Joo (2012) asserted recognition that a well-designed, executed, and maintained Performance Management system benefits the employees, the manager, and the organization. These benefits motivate and promote two ways of self-esteem, focusing on maximizing strengths and closing development gaps in the overall performance of the organization performance (Aguinis,



Gottfredson & Joo, 2012). Gaps regarding the reason and factors contributing towards low rate acceptance regarding performance management systems need to be illuminated through the study. The PM process in an organization should cultivate an employee's growth and focus on motivating employees through rewards and promotions based on merit (Daniel, 2011). Motivation is more effective in sustaining higher levels of employee performance. The purpose of Performance Management for an organization is decision-making and employee development, the performance appraisal information is used for pay increases, promotion, transfers, and retention of employees in the organization (Pulakos, 2004). Moreover, performance management systems often include recognition and reward mechanisms to acknowledge and appreciate employees' contributions. Recognizing and rewarding employees for their achievements not only boosts their morale and engagement but also creates a positive work culture that fosters continuous improvement and excellence.

#### **2.4. Barriers to performance management practices and employee engagement**

Despite all the benefits of Performance Management, many studies have shown that many companies do not manage performance management systems very well, this is shown in the survey that was conducted in 2006 by Watson Wyatt where it was found that three out of ten employers believe that their company's performance review helped them improve their performance (Aguinis *et al.*, 2012). Gaps regarding the reason and factors contributing towards low rate acceptance regarding performance management systems need to be illuminated through the study (MacLeod & Clark, 2009). Argued that lack of awareness of the Employee engagement construct is a significant constraint and agreed that the resulting lack of consensus regarding the definition of employee engagement and its overlap with the organizational construct in practice has caused confusion and concern among some leaders because they regard employee engagement as a vital element affecting competitiveness, innovation and effectiveness, this suggests that organizations are unable to apply engagement strategies accurately and effectively. Although this may be true Gallup established an employee engagement metric to measure employee engagement.

#### **2.5. Relationship between performance management and employee engagement**

Understanding the relationship between Performance and Employee engagement Gruman and Saks (2011) presented conceptual models and suggested that by the orientation of a performance management system to promote employee engagement enhanced performance will be achieved. Mone *et al.* (2011) Contested that when performance management is implemented effectively, high levels of employee engagement are sustained and lead to enhanced performance. the literature presented in this plots out the framework against which employee engagement and performance practices are ineffective. There are common inhibiting themes evident in performance management and employee engagement, lack of communication, lack of skill and training, inconsistent

management approach, and lack of senior management commitment and alignment to organization strategy.

#### **2.6. Theoretical framework**

This study is motivated and supported by Maslow's hierarchy of needs, the Goal-setting theory, and the expectancy theory, among others. The theories attempt to explain performance management and employee engagement below in detail:

*Maslow's hierarchy* of needs from a classical point of view categorizes human needs into five levels, and the theory also emphasizes that employees are motivated to fulfill these needs sequentially, from basic physiological requirements to the pinnacle of self-actualization (Baron & Armstrong, 2004).

*The goal-setting theory* coined based on the accumulated research findings of research studies by DeNisi (2002) holds that Goal Setting helps to set clear and well-defined goals and provides employees with a sense of purpose and direction.

*The expectancy theory* was coined following research conducted by Vroom (1964) of the Yale School of Management. According to Vroom (1964), the theory emphasizes the need for the organization to relate rewards directly to performance to ensure that the rewards provided are deserved and wanted by the recipients.

#### **2.7. Gaps in literature**

An assessment of Performance Management and employee engagement is a crucial area of study in organizational behaviour and human resource management. However, several gaps in the literature could be addressed to provide a more comprehensive understanding of this relationship. many studies on performance management and employee engagement do not sufficiently consider the contextual.

factors that can influence the effectiveness of these processes. Organizational culture, industry type, and leadership styles are examples of context-specific variables that can significantly impact the outcomes of performance management interventions. Long-term impact is another because most studies focus on short-term outcomes of performance management on employee engagement, such as immediate changes in motivation and productivity.

### **3. METHODOLOGY**

#### **3.1. Research design**

The research study employed a descriptive research design. The study was based on a mixed-method approach with both quantitative and qualitative data collection. The data was collected through a structured survey and interviews. The survey questions were close-ended, and interviews were conducted to gather in-depth information and provide insights on barriers and recommendations. The study targeted 114 employees at Absa Bank Zambia in Lusaka; data from 88 respondents were successful.

#### **3.2. Sampling techniques and sample size**

The study employed simple random Sampling techniques in which responders were randomly selected to give each respondent equal opportunity to be selected and also





generalized to the large employee population in the sector and to facilitate statistical analysis. All the participants or units within the target population had an equal chance of being used in the study, and members in the target population were used because they met practical criteria (Etikan *et al.*, 2016).

### 3.3. Sample size determination

The study employed Yamane's formula to determine the sample size.

The main factor that was considered in determining sample size is the need to keep it manageable while an entire population under study. Since this (using yamane)

$$n = N/(1+(N*e^2)), n = 256/(1+(133*0.07)) = 114$$

Where

- n- is the sample size
  - N- The population size of total existing skilled employees within the data collection period and based in Lusaka = 256
  - Total skilled employees)
- e- is the level of precision. (0.07)

### 3.4. Data analysis

Quantitative data was analysed using the Statistical Package for Social Sciences (SPSS V23), applying descriptive and inferential statistics. Descriptive statistics were used to determine the impact of performance management and employee engagement, and Pearson's correlation was used to understand the relationship between performance management and employee engagement. Qualitative analysis was used to analyse interviews using thematic analysis to identify key themes that connect performance management practices to employee engagement.

### 3.5. Ethical consideration

The rights of the responders and the participants in this research were observed. The respondents voluntarily participate, and they had a right to opt out of the study at any point in time. Informed consent was obtained and the Participants knew the purpose, benefits, risks, and reason behind the study before they agree or decline to join. The answers provided by the respondents were voluntary and all information gathered for the study was treated strictly private and confidential. The responders were anonymous, and the identities of the participants was not disclosed. The information obtained was entirely used for academic purposes only.

## 4. RESULTS AND DISCUSSION

In this section, the study presents the results from the analysis of performance management and employee engagement variables, indicating the challenges and relationship of the performance management and employee engagement.

### 4.1. Demographics

The sample size was 114, responses were expected from the responders from Absa Bank employees, only 88 responses were successfully received which represents 77.19 percent of the response rate, this is represented by 46 females and 42 males which shows 52.3 % of females and 47.7 % of males. Table 1 shows the demography of the respondents

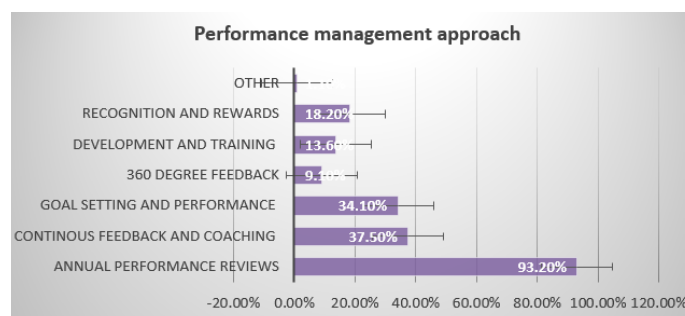
**Table 1.** Gender distribution

Frequency	Percent	Valid Percent	Cumulative Percent
46	52.3	52.3	52.3
42	47.7	47.7	100.0
88	100.0	100.0	

### 4.2. Performance management evaluation

#### 4.2.1. Performance Management Approach

The results indicated that Annual performance reviews were the primary appraisal tool used; this finding represents 93.1%. The others also stated in Figure 2 are continuous feedback and coaching, indicating 37.50% of responses. This modern performance approach is gaining traction and support in dynamic performance culture. The findings also showed that 34.10% respondents had indicated goals setting and objectives alignment, 18.20% stated recognition and reward this is under-utilized, intergrating regular recognition could improve engagement. Another indication by respondents was 13.60% of development and training; this is still low adoption, suggesting a focus on evaluation over growth investing in training is crucial, and lastly 360-degree feedback indicating a 9.10%.



**Figure 2.** Performance management approach

### 4.3. Employee satisfaction with performance management practices

Table 2 indicates employee satisfaction with the performance management approach, The chart indicates the relationship between satisfaction levels and performance management

**Table 2.** Satisfaction with performance management practices

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Dissatisfied	4	4.5	4.5	4.5
Dissatisfied	8	9.1	9.1	13.6
Neutral	27	30.7	30.7	44.3
Satisfied	30	34.1	34.1	78.4
Very satisfied	19	21.6	21.6	100
<b>Total</b>	<b>88</b>	<b>100</b>	<b>100</b>	



practices. The findings indicated that 34.1% of the respondents said they were satisfied, making it the most common response, 30.7% were neutral, this is a substantial portion and 21.6% indicated that they were very satisfied with the process, While 9.1% were dissatisfied and 4.5 were very dissatisfied. Overall, the responses had a positive sentiment of 55.7%.

#### 4.4. Performance goals and organizational alignment

Table 3 indicated the performance goal setting and objective alignment, findings revealed that of the employees that responded to this question, 45.5% of them indicated that their performance goals were aligned and they agreed, 20.5% stated that they strongly agreed, while 20.5 were neutral, 8.0 strongly disagreed and 5.7 disagree that the organization objectives were not aligned with performance goals organizations. Overall, most respondents (66%) combined agree to some extent that performance goals are aligned, while a small portion of 13.7% feel they are not aligned. This indication points to areas where communication or clarity around goals could be improved.

**Table 3.** Performance goals and organizational alignment

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	18	20.5	20.5	20.5
Agree	40	45.5	45.5	66
Neutral	18	20.5	20.5	86.5
Disagree	5	5.7	5.7	92.2
Strongly Disagree	7	8	8	8
<b>Total</b>	<b>88</b>	<b>100</b>	<b>100</b>	

#### 4.5. Performance management frequency of feedback

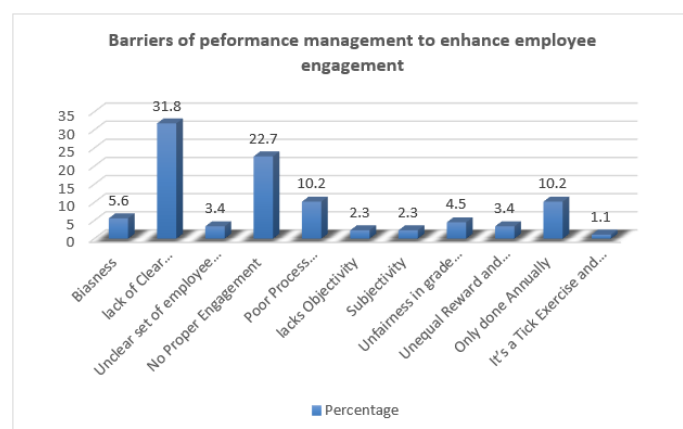
The findings in Table 4 on how frequent the employees received feedback during performance management revealed the majority of the respondents indicated that they received feedback annually with 54.5%, 31.8% of respondents indicated that feedback was given quarterly, 6.8% of respondents indicated that they received monthly feedback, while 2.3% indicated weekly, and 2.3% indicated daily while 2.3% were irregularly Fig below shows the frequency of feedback given. This data indicates reliance on annual feedback, which may hinder continuous improvement and agility.

#### 4.6. Barriers of performance management and employee engagement

The findings on the barriers of performance management and

**Table 4.** Performance management frequency of feedback

	Frequency	Percent	Valid Percent	Cumulative Percent
Annually	48	54.5	54.5	54.5
Quarterly	28	31.8	31.8	86.3
Monthly	6	6.8	6.8	93.1
Weekly	2	2.3	2.3	95.4
Daily	2	2.3	2.3	97.7
Irregularly	2	2.3	2.3	100
<b>Total</b>	<b>88</b>	<b>100</b>	<b>100</b>	



**Figure 3.** Barriers of performance management and employee engagement

employee engagement are indicated in figure 3. As show in the figure below:

The findings indicated that, Lack of Clear Communication was the highest score. The respondents above 31.8% indicated that even though communication structures existed between management and employees within institutions, the communication was not so effective as it only took place at once at the time of objectives communication rather than being constantly reviewed periodically. No Proper Engagement: When it comes to employee engagement, 22.7 % of the respondents revealed that there is no proper engagement from supervisors and management. The study established there was no engagement with the employees, and as such, there was little chance of progressing in fostering an effective engagement. Poor Process Management: Results of the study indicated that 10.2% indicated that the process management is poorly done, which shows Inadequate Evaluation Systems and poor process management.



**Table 5.** Descriptive statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Satisfied -Performance management	88	3.59	1.068	-0.503	0.257	-0.169	0.508
Goals Alignment	88	3.65	1.115	-0.942	0.257	0.444	0.508
Frequently -feedback received	88	2.61	0.836	0.837	0.257	0.765	0.508
Connection to organizational goals	88	3.94	0.793	-0.464	0.257	-0.072	0.508
Constructive Performance feedback	88	3.5	1.039	-0.189	0.257	-0.643	0.508
Individual skills and abilities utilization	88	2.16	0.901	-0.326	0.258	-1.705	0.511
Overall Levels of Engagement	88	3.65	0.971	-0.467	0.257	-0.073	0.508
V35	87	2.03	0.933	-0.07	0.258	-1.873	0.511

The performance management approach used is good for the organization as shown by the mean score of 3.59; employees feel that there is a goal alignment with the organization. However, the low mean score was recorded for the organization's utilization of individual skills and frequency of feedback, which is 2.16 and 2.61, respectively. the highest score mean of 3.94 for connection to the organization implies employees felt connected. The standard deviation of the values is within the range of 0.836 and 1.115 from the mean value. The normal

distribution is a symmetric distribution with well-behaved tails. This is indicated by the skewness of -0.942 and 0.837, which is considered acceptable to prove normal univariate distribution. The kurtosis of -1.705 and The regression analysis was conducted, and the results are presented in Table 6. The results showed the relationship  $R = 0.569$ , which indicates a positive association between performance appraisal and employee engagement.

**Table 6.** Pearson's coefficient correlation

		Performance Management Practice	Employee engagement
Performance Management Practices	Pearson Correlation	1	0.569**
	Sig. (2-tailed)		0
	Sum of Squares and Cross-products	99.273	41.955
	Covariance	1.141	0.482
	N	88	88
Employee engagement	Pearson Correlation	0.569**	1
	Sig. (2-tailed)	0	
	Sum of Squares and Cross-products	41.955	54.716
	Covariance	0.482	0.629
	N	88	88

\*\*. Correlation is significant at the 0.01 level (2-tailed).

#### 4.9. Thematic analysis

The key themes that emerged from the research Goal setting and Alignment- employees who understand how their work contributed to the organisational goals reported higher engagement. Banks use structured key performance indicators (KPI) to measure success, but rigid targets can sometimes pressure employees.

*Performance Appraisal* - Performance reviews impact engagement, with employees responding positively to constructive feedback.

*Performance Feedback* - Employees emphasized the need for

regular and constructive feedback.

*Reward and Recognition* - Monetary and non-monetary rewards influence motivation and commitment.

#### 5. CONCLUSION

Based on the results, it can be concluded that Annual performance reviews 93.1% were the most common method, but only 34.1% of employees were satisfied with the approach. The alignment of employees' goals with organizational objectives was strong at 66%, but half of the employees felt disconnected from the organization's mission. Constructive Feedback was



also infrequent, with 33% of employees receiving feedback only annually. This led to dissatisfaction and disengagement. The study identified key barriers to effective performance management and employee engagement. A lack of communication from management was the primary barrier. Poor engagement from line management and ineffective performance processes were also significant challenges. A lack of objectivity in performance evaluations, coupled with unfair grading, further hindered engagement. The study found a positive relationship between effective performance management and employee engagement. When performance management systems were well implemented, employee engagement improved. However, communication and managerial support were lacking, impacting engagement levels.

## RECOMMENDATIONS

To improve performance management and employee engagement, the following steps were recommended: Managers should improve communication with employees, making performance reviews more frequent and transparent through various platforms. Feedback should be given continuously throughout the year, eliminating biases and ambiguities, and institutions should integrate counter appraisals, recognition, and reward systems to foster engagement and motivation. These recommendations aim to enhance employee engagement and organizational performance.

## AREAS FOR FUTURE RESEARCH

This study focused on Performance management and employee engagement in the banking sector. The study delved into discussing the aggregate performance practices that influence employee engagement, the barriers to performance management to enhance employee engagement, and the relationship between performance management and employee engagement. Future research investigations could be undertaken to establish the extent to which findings of such studies could improve performance management and employee engagement in other sectors such as the public sector.

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