Effect of Training and Development Strategies on the Performance of Commercial Banks in Kenya

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Abstract
This paper will examine the effect of training and development strategies on the performance of commercial banks in Kenya. Due to increased competition and globalisation recently there has been a lot of emphasis on the link between strategy and firm performance. This study sought to investigate the effect of training and development strategies on the performance of commercial banks in Kenya. The study was a survey that adopted the mixed method approach using both qualitative and quantitative methods. The Nairobi head office of each of the 46 commercial banks was purposively sampled. A sample of 349 employees was selected using stratified random sampling from 2,738 employees in the 46 commercial banks. Data was collected using self-administered questionnaires and interviews. Data analysis involved statistical computations for averages, percentages, and correlation and regression analysis as well as factor analysis. Reliability analysis was done using Cronbach’s alpha. Statistical computer software (SPSS) was used in data analysis. Analyzed data was presented using tables, charts and graphs. From the study it was found that a training and development strategy has a significant positive effect on the performance of commercial banks in Kenya. Commercial banks in Kenya were found to be engaging in training and development of their employees and have training budgets for the purpose. Commercial banks also do training needs analysis as the main determinant of the training that is required for the employees. From this study it is concluded that employee training and development strategies positively affect the performance of commercial banks to a great extent.

Keywords: Development Strategies, Commercial Banks, Kenya

Introduction
The environments in which organizations operate today are divergent (Aldaibat & Irtaimeh, 2012). Achieving competitive advantage and improving organizational performance relative to competitors are the main goals that business firms should always strive to attain (Rawashdeh & Al-Adwan, 2012). The banking sector globally has been facing unprecedented challenges in the wake of increased privatization and globalization (Aldaibat & Irtaimeh, 2012). To survive and thrive in a globally competitive marketplace, organizations must adopt a broad strategy that gives them a sustainable competitive advantage. One of the major issues that have gained attention in the recent banking sector reforms in Kenya is the human resources management function. This has been due to the recent developments where people have been considered as a very important source of sustained competitive advantage. Among the key functions that have received great attention in the field of human resources management is training and development.

The increasing significance of people to organizational success has been observed to have corresponded with the rise of Strategic Human Resource Management (SHRM) as a field of study on a global scale (Hartel, Fujimoto, Strybosch & Fitzpatrick 2007). Since its emergence, strategic human resource management (SHRM) has been the focus of debate over whether it exists in reality or is
merely rhetoric (Khatoon, Amin & Hossain, 2013). Research has shown that human resource management practices have the ability to create firms that are more intelligent, flexible, and competent than their rivals through the application of policies and practices that concentrate on recruiting, selecting, training skilled employees and directing their best efforts to cooperate within the resource bundle of the organization (Rawashdeh & Al-Adwan, 2012).

People are a firm’s most valuable resource (Cook, 2000). Banks globally are under intense pressure to perform in today’s volatile market place. In the last two decades researches have shown that strategic human resource management (HRM) is one of the most important determinants of organizational performance (Taylor & Francis, 2008). The recent trend of globalized competitive business era focuses on formulation and execution of strategic human resource management (SHRM) practices and its significant effect on the financial performance of the organization (Khatoon, Amin & Hossain, 2013). Steep competition, globalization, growing customer demand and exposure to higher credit risks are forcing the banks to find new ways of providing better customer service so as to improve profitability and guarantee their survival (Alaibat & Irtaimeh, 2012).

The implementation of corporate and functional strategies depends on the companies’ resources and particularly on people (Alaibat & Irtaimeh, 2012). The strategic management of human resources is one of the ways banks are using to increase their competitiveness in the new organizational landscapes, since managing in a global marketplace, introducing new technology, developing organizational knowledge, improving customer service or product quality, requires considering the “human equation” (Alaibat & Irtaimeh, 2012; Pfeffer, 1998). There is ongoing debate on how HRM strategies affect the performance of banks. Researchers have built evidence that links HRM practices with corporate performance (Adegoroye, Oladejo & Moruf, 2012). Current researches have shown that human resources management (HRM) practices are important for enhanced corporate performance (Rawashdeh & Al-Adwan, 2012; Adegoroye, Oladejo & Moruf, 2012). However, very few studies have focused on how the individual human resource management functions affect performance. The human resource strategies mostly focus on how the company should manage its staff to assist the organization in the achievement of corporate objectives (Walker, 1992). Training and development has been believed to have some effect on the performance of organizations in various sectors particularly in the manufacturing sector. However, very little research has been done about the effect of training and development strategies on the performance of commercial banks in Kenya.

Global perspective of Commercial banks
Banking has entered a new era (Canadian Banks, 2013). In this new normal, banks around the world face massive regulatory reform, constant change and ever-present uncertainty. They find themselves charting a path forward through an environment of limited economic growth and shifting consumer behaviours, demands and demographics (Canadian Banks, 2013; Central Bank, 2010; Nyamongo & Temesgen, 2013). Conflicting expectations for shareholders, consumers, regulators (often across various jurisdictions) and central banks add additional layers of complexity to the decision making process (CBK, 2010; Nyamongo & Temesgen, 2013).

Banks globally are under pressure to simultaneously improve the customer experience, meet compounding regulatory requirements and reduce operating costs (Nyamongo & Temesgen, 2013; Adegoroye, Oladejo & Moruf, 2012). While every industry faces its own unique challenges, the banking sector certainly has a lot on its plate including costly regulations and savvy customers who are seeking an Amazon-like experience. Bankers must strengthen the customer experience and also respond to shareholder calls for operational efficiency to drive financial performance – all under the umbrella of ever-pervasive regulation (Adegoroye, Oladejo & Moruf, 2012). Progressive organizations including banks are deeply examining their client needs and plotting the customer journey to uncover inherent or potential risks, including compliance issues. They are then designing effective business controls with the impact to the customer at the forefront. By bringing compliance
and customer objectives together “under one roof,” it is also possible to achieve greater efficiency, eliminate process redundancies and ultimately, lower costs (Adegoroye, Oladejo & Moruf, 2012).

A pragmatic jumping off point for this type of convergence is to focus on one product area at a time and to identify a small number of key customer processes or journeys. By using multiple data sources and direct customer feedback, a bank can hone in on what customers most value, redesign the best process and introduce controls to efficiently support the customer experience and compliance requirements (Aldaibat & Irtaimeh, 2012). By fine tuning their ability to apply principles of Customer-Centric Compliance, banks can create or even revamp products and processes that converge to satisfy customer, cost and compliance priorities (Canadian Banks, 2013). Training and development of employees is necessary for the banks to succeed in all the above programs.

**Commercial Banks in Kenya**

Banks in Kenya have existed since the colonial times (CBK, 2010). During this period the banking sector was dominated by foreign owned banks that were significantly unable to meet the demands of all the Kenyans in need of banking services. The banks were located in the urban centers and also charged exorbitant account opening and maintenance balances which most low income earners in Kenya were unable to raise. As a result banking continuously remained a preserve of the few rich Kenyans and therefore only had a minor contribution on the economy. The performance of banks in terms of customer numbers, profits and other performance indicators during that period remained very low (CBK, 2010).

The banking sector in Kenya has grown tremendously over the years and currently there are 46 banks in Kenya which are categorized as private and foreign owned (CBK, 2010). The banking industry in Kenya is generally a highly regulated industry, and government restrictions on financial activities by banks have varied over time and location (Central Bank, 2010; Nyamongo & Temesgen, 2013). The industry is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The Central Bank Act enumerates the core functions of Central Bank and gives it limited autonomy to manage and regulate the Banking sector in Kenya (CBK, 2010; Nyamongo & Temesgen, 2013).

In the recent wave of globalization, increased technological growth and competition there has been a lot of emphasis on performance in the Kenyan banking sector. Many scholars and researchers have used performance synonymously with productivity, efficiency, effectiveness and competitiveness. According to Bohlander and Snell (2007) organizational performance comprises the actual output or results of an organization measured against its intended outputs (organizational goals and objectives). According to Barney (2000) firms that use resources and capabilities to exploit opportunities and neutralize threats will see an increase in their net revenue or a decrease in their net costs or both and vice versa.

Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. Although the banking sector in Kenya has experienced problems over the last 25 years, with some banking institutions collapsing between 1986 and 1998 (Kithinji & Waweru, 2007; Ngugi, 2001), there has been a continued growth in performance over the last eight years, with the banking sector collectively registering impressive performance (Nyamongo & Temesgen, 2013). Under such competitive environments bank employees have had a lot of pressure to try and come up with creative ideas and products that enable them survive in such an extremely turbulent and competitive environment. Such creative innovations include the introduction of the M-Kesho account through partnership between Equity Bank and Safaricom, PesaPap by Family Bank and KCB Connect by KCB (CBK, 2010). In order to motivate employees to remain creative and innovative the banking sector in Kenya has had to
rethink its approach on how it uses its most important resource - the people. This has led banks to adopt strategic human resource management which in turn will lead to increased profits.

According to the CBK (2010) recently the banking sector in Kenya has recorded a very fast growth rate and huge profits. The sector's total profit before tax, which stood at KSh6.0 billion in 2002, grew to KSh48.9 billion in 2009 (CBK, 2005-2009). The sector has also experienced growth in profits with most banks reporting very high profits after tax; this further confirms the growth of the sector despite the global financial meltdown which had a very negative effect on world financial performance especially in the banking sectors (Nyamongo & Temesgen, 2013). According to The Central Bank, (2010) over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; 1) an industry wide branch network expansion strategy both in Kenya and in the East African community region, and 2) automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional “off-the-shelf” banking products (CBK, 2010).

Over the last decade labour productivity has been of concern to bankers due to the current competitive environment. The current global trend of deregulation of the banking industry, increased expenditure on development of human resources coupled with technological developments like internet banking and ATMs have opened up many new businesses to the banks in Kenya (CBK, 2010). According to the Central Bank (2010) performance indicators in banks include: financial (profits), market share, efficiency, reliability, flexibility and share value in the stock market. It is commonly accepted that employees create an important source of competitive advantage for firms (Goel, 2008; Pattanayak, 2008). The banks' specific characteristics also tend to play a great role in the performance of the banking sector (Nyamongo & Temesgen, 2013). Indeed, the available evidence also tends to link high performance to capital adequacy (Athanasoglou, 2005; Goddard, 2004). There has been substantial growth in the number of banks and branches country wide (CBK, 2010). Other growth indicators include the increase in the number of account holders as well as an increase in the number of banks listed in the Nairobi Securities Exchange. Share prices of listed banks have continuously gained value showing the current growth trend in the sector.

Despite the increase in banking sector profit over the years, the distribution of profits being accounted for by the “large” banks remained skewed, in particular with four banks, whose assets market share stood at 46 percent, having contributed 54.3 percent of the sector's total pre-tax profits (CBK, 2006). The recent initiatives undertaken by the government of Kenya to increase the capital base of banking institutions coupled with a robust regulatory framework and effective supervisory regime has the potential to reduce future bank failures, forestall systemic risk and improve the financial performance of medium- and small-size banking institutions (Nyamongo & Temesgen, 2013). The diversification of banking assets has been found to influence the performance. Banks that are known to diversify their products beyond the traditional products tend to register additional revenues which may improve their balance sheets. However, banks relying heavily on the traditional sources of revenue may post lower performance (Nyamongo & Temesgen, 2013). There is also evidence in the literature that corporates that diversify heavily tend to stretch their resources to the detriment of the overall performance as a result of diseconomies of scope. It is based on the recent successes and improved performance of the banking sector that this study was undertaken in order to investigate the effect of training and development strategies on the performance of banks.

**Statement of the problem**

The rapid technological growth and increased competition have forced commercial banks in Kenya to aggressively compete for employees in order to remain competitive (Central Bank of Kenya, 2010). This trend has created a lot of interest on the effect of HRM strategies on performance. Many studies have shown a positive relationship between HRM strategies generally and performance (Huselid, 2007; Armstrong & Baron, 2009; Katou, 2008; Ahmad & Schroeder, 2003; Bae & Lawler, 2000; Batt, 2002; Delery & Doty, 1996; Guthrie, 2001; Gardner & Moynihan, 2003). Despite these findings most
studies have been characterized by lack of a solid theoretical foundation explaining the mechanisms causing the observed enhanced performance. Available studies do not adequately investigate exactly how a good alignment between each of the HRM functions and firm strategy leads to improved performance. It is therefore difficult to conclusively state the effect of development and use of strategies for each of the human resource management functions on performance. It is on this background that this study will be undertaken to investigate the effect of training and development strategies on the performance of commercial banks in Kenya.

Objectives of the study

i. To investigate the effect of training and development strategies on the performance of commercial banks in Kenya.

ii. To investigate the extent to which commercial banks in Kenya engage in training needs analysis.

iii. To investigate the extent to which commercial banks in Kenya budget for training and development activities.

Research Hypotheses

H0: Training and development strategies do not have a significant effect on the performance of commercial banks in Kenya.

Ha: Training and development strategies have a significant effect on the performance of commercial banks in Kenya.

Scope of the Study

The study was done covering all the 46 commercial banks in Kenya. The headquarters of each bank branch was purposively sampled for the study. The study was done mainly in Nairobi County where the researcher was able to get all the relevant officers. This included Bank CEOs, HR Managers, Operations managers and other employees. The study was only limited to the effect of training and development strategies on organizational performance in the banking sector in Kenya.

Literature Review

The Resource Based View (RBV)

An organization’s resources can be divided into tangible (financial, technological, physical and human) and intangible (brand-name, reputation and know-how) resources. Barney (1991) argued that resources lead to sustainable competitive advantage when they are valuable, rare, inimitable, and non-substitutable. Resources such as technology, natural resources, finances and economies of scale can create value, however the resource based theory argues that this sources of value are available to all and easy to copy, compared to complex social systems like human resources.

The resource based view of the firm is a model of firm performance that focuses on the resources and capabilities controlled by a firm as sources of competitive advantage (Perce & Robinson, 2007). The genesis of the resource-based model can be traced back to Selznick (1957), who suggested that work organizations each possess ‘distinctive competence’ that enables them to outperform their competitors, and to Penrose (1959) who conceptualized the firm as a ‘collection of productive resources’. This view focuses on the quality of the human resource available to the organization and their ability to learn and adapt more quickly than their competitors. These resources include the human resources such as the training, experience, judgments, intelligence, relationships and insights of individual managers and workers in an organization. The sum of people’s knowledge and expertise and social relationships, has the potential to provide non-substitutable capabilities that serve as a source of competitive advantage (Cappelli & Singh, 1992). Perce and Robinson (2007) argue that the resource based view of a firm helps improve upon the SWOT analysis by examining a variety of
different yet specific types of resources and capabilities any firm possesses and then evaluating the
degree to which they become the basis for sustained competitive advantage based on industry and
competitor considerations. Thus theoretical work on the resource based view of the firm (Barney,
1991; Perce & Robinson, 2007) supports the notion that HRM may be an important source of
competitive advantage.

**Performance of Commercial Banks**

Many scholars and researchers have used performance synonymously with productivity, efficiency,
effectiveness and competitiveness. According to Bohlander and Snell (2007) organizational
performance comprises the actual output or results of an organization measured against its intended
outputs (organizational goals and objectives). Various scholars have defined performance
management in different ways, for example, Armstrong (2006) defines performance management as a
systematic process for improving organizational performance by developing the performance of
individuals and teams. Armstrong and Baron (2004) view performance management as a discipline of
acting upon intelligence and reported information in planning ahead and in managing service
operations both directly and through partnerships with other service delivery agents. They describe it
as a process which contributes to the effective management of individuals and teams in order to
achieve high levels of organizational performance. It establishes a shared understanding of what is to
be achieved and an approach to leading and developing people which will ensure that it is achieved.
Supported by joint strategies, shared outcomes and shared targets performance management should be
exercised at all levels of the organization (Armstrong, 2008). It is a holistic process bringing together
many of the elements which go to make up successful people management including learning and
development. According to Barney (2000) firms that use resources and capabilities to exploit
opportunities and neutralize threats will see an increase in their net revenue or a decrease in their net
costs or both and vice versa.

To successfully face the increasing uncertainty and competitiveness, what is required is performing
employees to build performing organizations (Pattanayak, 2008). Efforts have been made by human
resources management theorists to try to establish a causal link between human resource management
and performance (Cook, 2000). Managers should develop a targeted employee performance coaching
plan that will identify the unique development needs of team members and holds them accountable for
their performance. Performance management and governance is therefore an essential feature of
modern organizational management (Armstrong, 2006). It enables an organization to continuously
monitor and improve its performance in order to achieve its strategic goals (Dessler, 2005). Research
has shown that a company emphasizes performance when a substantial portion of its employees pay is
tied to individual or group contributions and the amount received can vary significantly from one
person or group to another (Gomez-Meija, Balkin, & Cardy, 2010).

There is need for a theoretical link on how human resources management and performance are
related. According to Cook (2000) performance is enhanced by systems of practices (bundled human
resource practices) that support each other and have a mutually reinforcing effect on employee
contribution to performance. There is a symbiotic relationship between human resources strategy and
performance in the manufacturing sector (Cook, 2000; Barney, 2000; Paterson et al, 2006). However
we may not conclusively generalize this to the banking sector due to the fragility of banking.

HRM strategies can improve productivity by: 1) increasing employee skills and abilities; 2) promoting
positive attitudes and increasing motivation, and 3) providing employees with expanded
responsibilities so that they can make full use of their skills and abilities. Performance indicators
include: financial (profits), market share, efficiency, reliability, flexibility among others. The aim of
human resource strategy is to devise ways of managing people in order to assist in achievement of
organizational objectives. Participation of individuals and team transforms exchanges from economic
to social. According to Mahoney and Watson (1993) employee involvement has a beneficial impact on performance.

**Training and development strategies**

Employee training and development is an important determinant of organizational performance. According to Noe (2006) development refers to formal education, job experiences, relationships and assessments of personality and abilities that help employees perform effectively in their current or future jobs and organization. It often results from work experiences and involves learning that is not necessarily related to an employee’s current job. HollenBeck, Gerhart and Wright (2006) argue that employee development is a key contributor to a business strategy based on developing intellectual capital. It helps develop managerial talent and allows employees to take responsibility for their careers. It is a necessary component of a company’s effort to compete in the new economy, to meet the challenges of global competition and social change, and to incorporate technological advances and changes in work design. It is the key to ensuring that employees have the competences necessary to serve customer solutions.

Training and development ensures companies have the managerial talent needed to successfully execute a growth strategy. According to Nzuve (1999) training is the process that enables people to acquire new knowledge, learn new skills and perform tasks better than before. According to Barker (2000) training is the planned provision of learning that equips us with skills. It differs from teaching in that it emphasizes improvement in behavior or performance rather than increasing knowledge. Training and development helps the company create a workforce that is able to cope with change, meet the increasing demands of consumers and prepare the future leadership of the company (Noe, 2008). Barker (2000) argues that training helps employees to maintain standards or improve their competence hence their performance.

A variety of human resource management practices are related to the development of human resource of the organization. For strategic purposes it is important to target much more specifically on the development of competences which can provide a competitive advantage (Johnson, Scholes & Whittington, 2006). It helps to maintain the cultural processes within an organization. It also provides a common reference point (norms) to which people can relate their own work and priorities and a common language with which to communicate with other parts of the organization. Barker (2000) argues that developing somebody’s skills enables an organization to achieve greater productivity, improved job performance, greater empowerment, more satisfactory recruitment and selection and reduced labour turnover. The manager and the employee will identify gaps in past experience, training or knowledge that will need to be bridged to make the veteran employee functional in the new role.

Company investment in both technical and non technical training are likely to have a positive impact on the extent to which the firm actually succeeds in developing the skills/ knowledge of its employees. To contribute to a company’s success, training activities should help the organization achieve its business strategy. A business strategy is a plan that integrates the company’s goals, policies and actions (Noe, 2008). Business strategy has a major impact on the type and amount of training that occurs and whether resources (money, trainers’ time and program development) should be devoted to training. Also strategy influences the type, level and mix of skills needed in the company (Noe, 2008). According to Hitt, Ireland, Hoskisson, Sheppard and Rowe (2006) human resource managers need to be well trained to ensure proper staffing skills, change management, counseling, project management and organizational design.

Research by Delaney and Huselid (1996); Huselid, (1995); Koch and McGrath (1996) and MacDuffie (1995) suggests that training is a high performance human resource practice. A positive relationship has been established between employee training and organizational performance (Delaney & Huselid 1996; Koch & McGrath 1996). According to Noe (2008) there is both a direct and indirect link
between training and business strategy and goals. Training can help employees develop skills needed to perform their jobs, which directly affects the business performance. Giving employees opportunities to learn and develop creates a positive work environment which supports the business strategy by attracting talented employees as well as motivating and retaining current employees. According to Johnson et al. (2006) formal programs are reduced and more emphasis is on coaching and mentoring to support self development. Ivancevich, Lorenzi, Skinner and Crosby (2007) have argued that training and development of human resources involves change in skills, knowledge, attitudes and/or social behavior in order to remain competitive. Organizations that emphasize quality do training in problem solving, problem analysis, quality measurement, feedback and team building.

Training can also be used to prepare employees for increased responsibilities in their current human resource plan (Johnson et al., 2006). According to Ivancevic et al. (2007) strategic management of employees requires managers to dedicate time, money and attention to training and development. This increases workers value and enhances their capacity for continuous improvement. Employees must see value in the training they receive. The training should help the employee’s progress in their careers. Training differs from learning in that training is a group of activities while learning is more effective as an individual activity. Managers who provide both training and learning environment for employees will create more innovation, better service and more efficient operations than competitors.

Research Design and Methodology

Research design

According to Kothari (2004) a research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. This study was a survey that adopted the mixed method approach utilizing both qualitative and quantitative methods.

Study population and sample

The population of the study was all the headquarters of the 46 banks in Kenya. The study targeted the CEOs, HR managers, Operations managers and other employees of the commercial banks in Kenya. The total population targeted was 2,738 people located at the head quarters of the banks. According to Kothari (2004) a sample design is a technique or procedure that the researcher adopts in selecting items for a sample. It was not possible to study all members of the population. This is because studying a population would have involved tremendous amounts of time and resources (Mugenda & Mugenda, 1999; Kothari, 2004). As a result a sample was selected and studied to represent the entire population. This enabled the researcher to gain information about the population. An optimum sample of 349 employees, which fulfils the requirements of efficiency, representativeness (Kothari, 2004; Mugenda & Mugenda, 1999), reliability and flexibility, was selected based on cost, accepted confidence level and size of the population. Sampling was done using the multi stage approach involving purposive sampling and stratified sampling methods. The CEOs, operations managers and HR managers were purposely selected from each bank. Due to the small number and the importance of the managerial cadre in this study, a census was adopted in which all the said managers were purposively selected and involved in the study. The Yamane (1967) formula for calculating sample sizes was used to calculate the sample size at 95% confidence level and P = 0.5.

\[
n = \frac{N}{1 + N(e)^2}
\]
Where \( n \) is the sample size, \( N \) is the population size, and \( e \) is the level of precision.

\[
N = \frac{2738}{1 + \frac{2738}{(0.05 \times 0.05)}}
\]

\[
N = \frac{2738}{1 + \frac{2738}{0.0025}} = \frac{2738}{7.845} = 349
\]

The population and sample size for managerial staff is shown in Table 3.1.

**Table 3.1. Population and sample selection of managerial staff**

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEOs</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Operations managers</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Human resources managers</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>138</td>
<td>138</td>
</tr>
</tbody>
</table>

Other employees were selected using stratified random sampling because this method enables the researcher to achieve the desired representation from the various subgroups in the population (Mugenda & Mugenda, 1999; Kothari, 2004; Cooper & Schindler, 2006). This according to Mugenda and Mugenda (1999) gives the researcher confidence that if another sample of the same size is selected the findings from the two samples will be similar to a high degree. This method also gives each employee in the organization an equal chance to be selected. The population and sample size for lower level employees and supervisors is shown in Table 3.2.

**Table 3.2. Population and Sample selection for lower level employees and supervisors**

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisors</td>
<td>920</td>
<td>92</td>
</tr>
<tr>
<td>Tellers</td>
<td>1400</td>
<td>140</td>
</tr>
<tr>
<td>Support staff</td>
<td>280</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>2600</td>
<td>260</td>
</tr>
</tbody>
</table>

**Data collection instruments and procedures**

Both primary and secondary data were collected. The major primary data collection instruments (information collected for the first time) that were used are questionnaires and interviews which were self administered. Secondary data (the already available data which had been collected and analyzed by someone else) was collected from relevant documentaries as well as company publications. Questionnaires were distributed to the respondents and duration of two weeks allowed to fill them. The researcher then made follow-up calls to ensure that adequate response was obtained from the respondents. In cases where the questionnaire had not been received after follow up telephone calls, additional copies of the questionnaire and a reminder letter were send to the respondents, followed by a final follow up telephone call. Interviews were conducted by the researcher only. Structured interview approach was used in order to ensure that only relevant data was collected. Secondary data
was then collected by analyzing the financial statements for the last five years in the banks that responded to the questionnaires and had interviews conducted.

Data analysis procedures
The collected data was processed and organized for statistical analysis. During the process age, gender and academic were treated as control variables and were therefore tested to establish how they affect performance. Data analysis involved first coding the responses; tabulating the data; and performing several statistical computations (i.e. averages, frequencies, percentages and regression coefficients). To begin the data analysis process, descriptive statistics were calculated on the independent variables to summarize and describe the data collected. This helped in determining the extent of adoption of HRM strategies in the banks. Inferential statistics were used to reach conclusions and make generalizations about the characteristics of populations based on data collected from the sample. Item analysis was conducted to determine the internal consistency and reliability of each individual item as well as each subscale. Cronbach’s Alpha test was used to test internal reliability. The Pearson’s correlation coefficient was used to show the direction and magnitude of the interrelationship between variables. The predictor powers and moderation effect of the variables on organizational performance were tested by conducting a moderated regression analyses suggested by Pedhazur (1982). The Multiple regression model used in this study is as shown:

$$Y_i = \beta_1 x_{i1} + \beta_2 x_{i2} + \beta_3 x_{i3} + \beta_4 x_{i4} + \beta_5 x_{i5} + \varepsilon_i$$

where $x_{ij}$ is the $i^{th}$ observation on the $j^{th}$ independent variable, and where the first independent variable takes the value 1 for all $i$ (so $\beta_0$ is the regression intercept).

$Y_i$ is called the measured variable, or dependent variable (organizational performance)

$X_{i}$ are the independent variables ($x_{i1}$ employee resourcing strategies, $x_{i2}$ training and development strategies, $x_{i3}$ reward strategies and $x_{i4}$ relations strategies)

$\beta$ is a $p$-dimensional parameter vector.

$\varepsilon_i$ is called the error term, disturbance term, or noise.

Factor analysis of the individual HRM strategies (resourcing, training and development, reward and employee relations and performance). Independent t-tests and/or simple analysis of variance (ANOVA) were used to look for significant differences between the HR strategies employees deem important when grouped by gender, or years worked. SPSS (Statistical Package for Social Sciences) software program was used for in-depth data analyses. Analyzed data was then presented using tables, pie charts, percentages and text.

Validity and Reliability Issues
An instrument is valid if it measures what it is intended to measure and accurately achieves the purpose for which it was designed (Patten, 2004; Wallen & Fraenkel, 2001). According to Patten (2004) validity is a matter of degree and no test instrument is perfectly valid. The instrument used should result in accurate conclusions (Wallen & Fraenkel, 2001). Validity involves the appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected (Wallen & Fraenkel, 2001). Validity can often be thought of as judgmental. According to Patten (2004) content validity is determined by judgments on the appropriateness of the instrument’s content. Patten (2004) identifies three principles to improve content validity: 1) use a broad sample of content rather than a narrow one, 2) emphasize important material, and 3) write
questions to measure the appropriate skill. These three principles were addressed when writing the survey items.

To provide additional content validity of the survey instrument, the researcher formed a focus group of five to ten experts in the field of HRM to provide input and suggestive feedback on survey items. Members of the focus group were senior employees of the banks and other employees who had worked in the sector for more than five years. Reliability relates to the consistency of the data collected (Wallen & Fraenkel, 2001). Cronbach’s coefficient alpha was used to determine the internal reliability of the instrument. The survey instrument was tested in its entirety and the subscales of the instrument were tested independently.

**DATA ANALYSIS AND PRESENTATION OF FINDINGS**

**Response rate**

The sample for the study comprised of a total of 349 employees in 46 commercial banks in Kenya. Out of this a total of 325 questionnaires were filled and returned by employees from 38 commercial banks, however, only 314 questionnaires were usable for this study and met the required inclusion criteria. This represented 82.6 % response by the commercial banks and 89.7% of the individual employees. According to Mugenda and Mugenda (2003) a response rate of more than 10% of the sample is adequate for data analysis. Cooper and Schindler (2003) also argues that a response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. This also meets the acceptable response rate, 40%, as suggested by Sekaran (2000). This means that the data gathered from the 314 respondents demonstrated the true nature of the effect of training and development strategies on the Performance of Commercial Banks in Kenya. Therefore, the 89.7 % response rate was adequate for the researcher to proceed with data analysis and interpretation. Neither the reasons for refusal to participate nor the characteristics of the non-respondents are known. Of the remaining 11 questionnaires deemed unusable, 6 respondents did not complete the questionnaire in that two or more subsections of the questionnaires were omitted. Five respondents reported that they had worked in the banking sector for less than three months and thus did not meet the inclusion criteria for this study because they were assumed to lack adequate knowledge of the sector.

**Demographic characteristics**

Although it was not part of the purpose of the study, this set of data was intended to describe demographic characteristics of the sample and to assess for any influence on the research findings. The study found it crucial to ascertain the broad information of the respondents since it plays a great role in determining the nature of information provided in terms of accuracy. The analysis relied on the information of the respondents to classify the different results according to their knowledge and responses. The demographic data consisted of age, sex, years of experience, educational level, monthly salary working capital and size of the bank. For this study age, gender and academic were treated as control variables.

When descriptive analysis was done on the demographic characteristics, it was found that gender had a mean of 1.4586 and a standard deviation of 0.49908, age had a mean of 2.9682 and a standard deviation of 0.89671, academic qualification had a mean of 3.2930 and a standard deviation of 0.98397, number of years worked had a mean of 2.5064 and a standard deviation of 1.41927, monthly salary had a mean of 4.0701 and a standard deviation of 1.18357, bank ownership had a mean of 2.8662 and a standard deviation of 0.14225, number of employees had a mean of 5.6083 and a standard deviation of 1.96846, annual turnover had a mean of 2.8949 and a standard deviation of 0.30717, registered capital had a mean of 2.6338 and a standard deviation of 0.54475 while the dependent variable (performance) had a mean of 2.3863 and a standard deviation of 0.77725. The results of this analysis are shown in Table 4.1.
Table 4.1. Descriptive analysis on the demographic characteristics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>1.4586</td>
<td>.49908</td>
<td>314</td>
</tr>
<tr>
<td>Age</td>
<td>2.9682</td>
<td>.89671</td>
<td>314</td>
</tr>
<tr>
<td>Academic qualification</td>
<td>3.2930</td>
<td>.98397</td>
<td>314</td>
</tr>
<tr>
<td>Number of years worked</td>
<td>2.5064</td>
<td>1.41927</td>
<td>314</td>
</tr>
<tr>
<td>Monthly salary</td>
<td>4.0701</td>
<td>1.18357</td>
<td>314</td>
</tr>
<tr>
<td>Bank ownership</td>
<td>2.8662</td>
<td>1.14225</td>
<td>314</td>
</tr>
<tr>
<td>Number of employees</td>
<td>5.6083</td>
<td>1.96846</td>
<td>314</td>
</tr>
<tr>
<td>Annual turnover</td>
<td>2.8949</td>
<td>.30717</td>
<td>314</td>
</tr>
<tr>
<td>Registered capital</td>
<td>2.6338</td>
<td>.54475</td>
<td>314</td>
</tr>
<tr>
<td>Performance</td>
<td>2.3863</td>
<td>.77725</td>
<td>314</td>
</tr>
</tbody>
</table>

Factor analysis

When factor analysis on training and development was done only one component was extracted for the 15 items. However four items were suppressed and dropped from further analysis because they had a loading that was lower than 0.4. Analysis of the factor loading revealed that the variable that the bank ensures that employees have the skills required to perform their duties had the highest loading value of 0.855. The other variables had loading values as follows: employees in each job will normally go through training programs every year had a loading value of 0.837, the bank conducts extensive training programs for its employees in all aspects of quality had a loading value of 0.833, new knowledge and skills are imparted to employees periodically to work in teams had a loading value of 0.813, employees are trained to take up more responsibilities and other jobs in future had a loading value of 0.750, training needs are identified through a formal performance appraisal mechanism had a loading value of 0.746, training has led to increased teamwork had a loading value of 0.701, training employees helps in improving their performance had a loading value of 0.673, the bank has a training budget every year had a loading value of 0.666, there are formal training programs to teach new employees the skills they need to perform their jobs had a loading value of 0.603, while training needs identified are realistic, useful and based on the business strategy of the organization had a loading value of 0.589. The following items were dropped from further analysis because they had loading values below 0.4: training employees affects the market share by attracting customers had a loading value of 0.180, training and development has a great effect on bank performance had a loading value of -0.173, training and development affects the profits of a bank had a loading value of -0.121 and training and development affects the rate of growth of a bank with a loading value of 0.104. These results are presented in Table 4.2.

Table 4.2. Factor Analysis showing Training and development strategies

<table>
<thead>
<tr>
<th></th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank ensures that employees have the skills required to</td>
<td>.855</td>
</tr>
<tr>
<td>perform their duties</td>
<td></td>
</tr>
<tr>
<td>Employees in each job will normally go through training</td>
<td>.837</td>
</tr>
<tr>
<td>programs every year</td>
<td></td>
</tr>
<tr>
<td>The bank conducts extensive training programs for its</td>
<td>.833</td>
</tr>
<tr>
<td>employees in all aspects of quality</td>
<td></td>
</tr>
<tr>
<td>New knowledge and skills are imparted to employees periodically</td>
<td>.813</td>
</tr>
<tr>
<td>to work in teams</td>
<td></td>
</tr>
<tr>
<td>Employees are trained to take up more responsibilities and</td>
<td>.750</td>
</tr>
<tr>
<td>other jobs in future</td>
<td></td>
</tr>
<tr>
<td>Training needs are identified through a formal performance</td>
<td>.746</td>
</tr>
<tr>
<td>appraisal mechanism</td>
<td></td>
</tr>
<tr>
<td>Training has led to increased teamwork</td>
<td>.701</td>
</tr>
<tr>
<td>Training employees helps in improving their performance</td>
<td>.673</td>
</tr>
<tr>
<td>The bank has a training budget every year</td>
<td>.666</td>
</tr>
<tr>
<td>There are formal training programs to teach new employees the</td>
<td>.603</td>
</tr>
<tr>
<td>skills they need to</td>
<td></td>
</tr>
</tbody>
</table>

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Training needs identified are realistic, useful and based on the business strategy of the organization. Training employees affects the market share by attracting customers. Training and development has a great effect on bank performance. Training and development affects the profits of a bank. Training and development affects the rate of growth of a bank.

Note: The bolded item was dropped from further analysis.

Reliability analysis
When reliability analysis was done using Cronbach's Alpha for the items, before removing and after removing the inadequate indicator, it was found that the value was 0.861 before removing while it increased to 0.914 after removing the inadequate indicator. According to Sekaran (2000), the closer the Cronbach’s alpha is to one, the higher the internal consistency reliability. Therefore, these results indicate that the data collected was reliable since the alpha coefficient values of between 0.861 and 0.914 which were very close to one were obtained on the research variables. This were above 0.75 and an alpha coefficient higher than 0.75 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents opinions on the study problem. This information is shown in Table 4.3.

Table 4.3. Reliability analysis for training and development strategies

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Before Extracting a</th>
<th>Alpha Before Removing the Inadequate Indicator</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before removing</td>
<td>0.861</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Indicator</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After removing</td>
<td>0.914</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Indicator</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Descriptive statistics
When the responses to the statement that the bank conducts extensive training programs for its employees in all aspects of quality were analyzed, it was found that 43% of the respondents strongly agreed, 32% agreed, 16% were neutral, 7% disagreed while 3% strongly disagreed. Further analysis revealed a mean of 1.9427 and a standard deviation of 1.04678, meaning that the majority of the respondents agreed that the bank conducts extensive training programs for its employees in all aspects of quality. This shows that commercial banks are conducting trainings. Analysis of the responses to the statement that employees in each job will normally go through training programs every year, revealed that 45% of the respondents strongly agreed, 24% agreed, 6% were neutral, 20% disagreed while 5% strongly disagreed. Further analysis revealed a mean of 2.1561 and a standard deviation of 1.31270, meaning that the majority of the respondents were in agreement with the statement that employees in each job will normally go through training programs every year. This means that commercial banks offer training programs annually.

When the responses to the statement that the training needs are identified through a formal performance appraisal mechanism were analyzed it was found that 19% of the respondents strongly agreed, 48% agreed, 19% were neutral, 9% disagreed while 4% strongly disagreed. Further analysis revealed a mean of 2.2994 and a standard deviation of 1.00773, meaning that the majority of the respondents agreed that training needs are identified through a formal performance appraisal mechanism. This means that training needs are identified before training is done.
Analysis of the responses to the statement that there are formal training programs to teach new employees the skills they need to perform their jobs, revealed that 16% of the respondents strongly agreed, 60%, agreed, 16% were neutral, 8% disagreed while 1% strongly disagreed. Further analysis revealed a mean of 2.1879 and a standard deviation of 0.82283, meaning that the majority of the respondents agreed that there are formal training programs to teach new employees the skills they need to perform their jobs. This means that there are formal training programs in commercial banks.

When the responses to the statement that new knowledge and skills are imparted to employees periodically to work in teams were analyzed it was found that, 26% of the respondents strongly agreed, 43% agreed, 19% were neutral, 12% disagreed while none strongly disagreed. Further analysis revealed a mean of 2.1720 and a standard deviation of 0.94702, meaning that the majority of the respondents agreed that new knowledge and skills are imparted to employees periodically to work in teams. This means that new knowledge is imparted to help employees do their work.

Analysis of the responses to the statement that training needs identified are realistic, useful and based on the business strategy of the organization revealed that 13% of the respondents strongly agreed, 45% agreed, 34% were neutral, 5% disagreed while 2% strongly disagreed. Further analysis revealed a mean of 2.3854 and a standard deviation of 0.86163, meaning that the majority of the respondents agreed that needs identified are realistic, useful and based on the business strategy of the organization. This means that there is a good link between the training and the business strategy of the bank.

When the responses to the statement that the bank has a training budget every year were analyzed it was found that 35% of the respondents strongly agreed, 48% agreed, 13% were neutral, 3% disagreed while none strongly disagreed. Further analysis revealed a mean of 1.8694 and a standard deviation of 0.83388, meaning that the majority of the respondents agreed that the bank has a training budget every year. Therefore commercial banks have set budgets for trainings and this shows the seriousness with which training is treated in commercial banks.

Analysis of the responses to the statement that training has led to increased teamwork revealed that 20% of the respondents strongly agreed, 45% agreed, 22% were neutral, 12% disagreed while 13% strongly disagreed. Further analysis revealed a mean of 2.2930 and a standard deviation of 0.96760, meaning that the majority of the respondents agreed that training has led to increased teamwork. This means that the respondents were able to observe positive changes in terms of teamwork in the bank after the trainings.

When the responses to the statement that the employees are trained to take up more responsibilities and other jobs in future were analyzed it was found that 8% of the respondents strongly agreed, 58% agreed, 20% were neutral, 13% disagreed while 2% strongly disagreed. Further analysis revealed a mean of 2.4236 and a standard deviation of 0.86587, meaning that the majority of the respondents agreed that employees are trained to take up more responsibilities and other jobs in future. This means that the training offered by commercial banks has a future/ strategic approach.

Analysis of the responses to the statement that training employees helps in improving their performance revealed that 36% of the respondents strongly agreed, 46% agreed, 17% were neutral, 2% disagreed while none strongly disagreed. Further analysis revealed a mean of 1.8535 and a standard deviation of 0.76934, meaning that the majority of the respondents were in agreement with the statement that training employees helps in improving their performance. This means that training bank employees leads to improvements in performance.

When the responses to the statement that the bank ensures that employees have the skills required to perform their duties were analyzed it was found that 25% of the respondents strongly agreed, 50% agreed, 18% were neutral, 7% disagreed while none strongly disagreed. Further analysis revealed a mean of 2.0605 and a standard deviation of .84189, meaning that the majority of the respondents agreed that the bank ensures that employees have the skills required to perform their duties. This shows that banks train employees in the areas relevant to the work they do. The responses to the statements are presented in Table 4.4.

Table 4.4. Descriptive statistics on training and development strategies
| The bank conducts extensive training programs for its employees in all aspects of quality | 43% | 32% | 16% | 7% | 3% | 1.94 | 27 | 1.04678 |
| Employees in each job will normally go through training programs every year | 45% | 24% | 6% | 20% | 5% | 2.15 | 61 | 1.31270 |
| Training needs are identified through a formal performance appraisal mechanism | 19% | 48% | 19% | 9% | 4% | 2.29 | 94 | 1.00773 |
| There are formal training programs to teach new employees the skills they need to perform their jobs | 16% | 60% | 16% | 8% | 1% | 2.18 | 79 | .82283 |
| New knowledge and skills are imparted to employees periodically to work in teams | 26% | 43% | 19% | 12% | 0% | 2.17 | 20 | .94702 |
| Training needs identified are realistic, useful and based on the business strategy of the organization | 13% | 45% | 34% | 5% | 2% | 2.38 | 54 | .86163 |
| The bank has a training budget every year | 35% | 48% | 13% | 3% | 1% | 1.86 | 94 | .83388 |
| Training has led to increased teamwork | 20% | 45% | 22% | 12% | 1% | 2.29 | 30 | .96760 |
| Employees are trained to take up more responsibilities and other jobs in future | 8% | 58% | 20% | 13% | 2% | 2.42 | 36 | .86587 |
| Training employees helps in improving their performance | 36% | 46% | 17% | 2% | 0% | 1.85 | 35 | .76934 |
| The bank ensures that employees have the skills required to perform their duties | 25% | 50% | 18% | 7% | 0% | 2.06 | 05 | .84189 |

**4.6. Hypotheses test results**

**H1: Training and development strategies have a significant effect on the performance of commercial banks in Kenya.**

From the research it was found that there is a positive linear relationship between training and development strategies and Performance. This shows that the two variables co-vary. Therefore as training and development strategies are been used the performance of commercial banks also improves. The relationship between training and development strategies and performance is shown in figure 4.1.
Correlation analysis was done in order to determine the existence of a relationship and the nature of relationship between employee training and development strategies and performance of commercial banks in Kenya. A Pearson correlation coefficient of 0.579 (p-value = 0.000) was obtained. This confirms that there is a significant and strong positive linear relationship between employee training and development strategies and Performance of commercial banks. This means that the variables co-vary- the more training and development is been done, the higher the level of performance. These results are shown in Table 4.5.

Table 4.5. Correlations coefficient showing the relationship between training and development strategies and performance

<table>
<thead>
<tr>
<th>Performance</th>
<th>Pearson Correlation</th>
<th>Training and Development Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>.579**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>314</td>
<td>314</td>
</tr>
</tbody>
</table>

Dr. Ngui Thomas Katua
Regression analysis was done to determine the effect of training and development strategies on performance. This analysis of the training and development strategies obtained an adjusted $R^2$ of 33.4%. This implies that the simple linear model with training and development strategies as the independent variable explains 33.4% of the variations in performance of commercial banks in Kenya. This means that when training and development strategies were used the performance of commercial banks changed by 33.4%. These results are shown in Table 4.6.

**Table 4.6. Model summary showing training and development strategies**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.579*</td>
<td>.336</td>
<td>.334</td>
<td>.63453</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Training and Development Strategies

**Table 4.7. ANOVA results showing the effect of training and development strategies on performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>Df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>63.470</td>
<td>1</td>
<td>63.470</td>
<td>157.63</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>125.621</td>
<td>312</td>
<td>.403</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>189.091</td>
<td>313</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b. Predictors: (Constant), Training and Development Strategies
c. Dependent Variable: Performance

From the analysis a p-value less than 0.05 (p-value = 0.0000) was obtained. This implies that the simple linear model with employee training and development strategies as the only independent variable is significant. The results of the analysis are shown in Table 4.7.

**Table 4.8. Coefficient results showing the relationship between training and development strategies and performance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant) Training and Development Strategies</td>
<td>.672</td>
</tr>
<tr>
<td></td>
<td>.837</td>
<td>.067</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERFORMANCE

Correlation coefficients show that employee training and development strategies ($X_2$) is significant (p-value = 0.0000) in influencing performance ($Y$). The results of the analysis are shown in Table 4.8. The fitted model from this analysis is:

$$Y = 0.672 + 0.837X_2$$
Hypotheses tests results suggest that training and development has a positive impact on business performance. The regression results support this hypothesis. This finding is consistent with previous studies indicating that the higher the training and development facility provided by the company, the higher the performance will be. In other words, training and development program is important factor for business performance of a company (Lee & Lee, 2007 & Abdullah, Ahsan & Alam, 2009).

Discussion of findings

Training involves any planned intervention aimed at enhancing the elements of individual job performance (Chiabru & Tekleab, 2005). It is all about improving the skills that seem to be necessary for the achievement of organizational goals (Khan et al, 2011). From this research, it was found that there is a significant effect of training and development strategies on the performance of commercial banks in Kenya. When training and development strategies were used the performance of commercial banks changed by 33.4%. These findings are consistent with the findings from a previous study by Rowden (2002) who suggests that training is an efficient tool for improving ones job satisfaction hence leading to better employee performance. These results are also consistent with the study by Keep (1989) who found that strategic training and development activities are central to the reality of anything that can meaningfully be described as human resource management. Other researchers such as Black and Lynch (1996); Garcia (2005) and Tharenou, Saks and Moore (2007) also found that training and development has a positive effect on performance. The findings of this study are also consistent with a study by Khan et al (2011) on the impact of training and development on organizational performance which found that training and development have a significant positive effect on organizational performance. A previous study by Gurbuz and Mert (2011) also found that employee development has a positive impact on the perceived financial and market performance, the organizational performance, and the job satisfaction. It has a negative effect on the turnover. The selection and development (including effective selection, appraisal, compensation, training and team based work) were related with organizational performance. This provides support to the universalistic perspective of HR practices (Kochan and Osterman 1994; Huselid 1995).

Fey et al. (2000) reported that training is positively associated with employees’ ability to carry out tasks effectively. A similar study by Chenet al., (2004) also found that training programs, help the workforce to decrease their anxiety or frustration, originated by the work or job. Those workers who feel to be unable to undertake a task with the desired level of performance often decide to leave the firm (Chen et al., 2004), otherwise their stay at firm will not add to productivity (Kanelopoulos & Akriivos, 2006). The greater the gap between the skills necessary and those possessed by the workforce, the higher the job dissatisfaction of the workers. Therefore as argued by Khan, et al. (2011) training has a positive effect on the organizational performance. It improves the organizational performance.

From this study it was found that training in commercial banks includes role orientation courses in functional areas, special courses and seminars; as well as sales training for supervisory and field personnel all designed and conducted by training centers and resource persons on a repetitive basis. The performance of commercial banks that have been using training and development periodically over the last five years was compared with that of the banks that do not do training frequently. It was found that banks that do training frequently had higher performance in terms of market share, loan sales, revenue, financial strength (e.g. Liquidity), return on equity, return on assets, profitability and return on investment. For instance interviews with the CEO of one bank which has a training college and which continuously trains its employees revealed that performance improved by over 80% when it started the continuous training program 4 years ago. This was also evident from the analysis of the financial statements for the last five years.

It was found that training and development led to increased skill among the employees which in turn led to improved quality of service to customers. The efficiency and effectiveness of operations were also found to have increased after training. The number of losses due to errors, the cost of overtime
and the time taken to serve a customer was found to have reduced when the bank cashiers (Tellers) were trained. This helped to reduce the waiting time by the customers as a result of which more customers were able to open new accounts with the bank. Thus from this study it was found that there is evidence of a positive effect of training and development strategies on the performance of commercial banks in Kenya.

**Summary of findings**

From the study it was found that there is a positive effect of training and development strategies on the performance of commercial banks in Kenya. Commercial banks in Kenya are engaging in training and development of their employees and have training budgets for the purpose. They also do training needs analysis as the main determinant of the training that is required for the employees. According to Kozlowski and Salas (2003) training needs assessment is a diagnostic process that occurs before training. The purpose of formal needs assessment is to identify the training targets. This focus is critical for uncovering whether a training program was effective or ineffective due to characteristics of the program or to factors outside the control of the training system. It was found that the employees in commercial banks are happy with the training offered by the banks and have noted improvement in their individual as well as bank performance. Commercial banks in Kenya were found to offer training on customer care, quality management, and use of computers in accounting and detection of fake currency, time management, team work, work life balance among other areas.

From this research, it was found training and development leads to increased skill among the employees which in turn leads to improved quality of service to customers. The efficiency and effectiveness of operations were also found to have increased after training. The number of losses due to errors, the cost of overtime and the time taken to serve a customer was found to have reduced when the bank cashiers (Tellers) were trained. This helped to reduce the waiting time by the customers as a result of which more customers were able to open new accounts with the bank. This supports previous arguments by Naris and Ukpere (2009) that training and development is a process of sharpening the employee skills and at the same time helps change of attitude and behaviour in order to enhance the performance level of employees. Thus from this study it was found that there is evidence of significance effect of training and development strategies on the performance of commercial banks in Kenya. This was in agreement with Guest (2007) that training and development policy play an important role in HRM and contributes to improved organization performance through strategic integration, employee commitment, flexibility and quality. This further supports the argument of Khilji (2004) that training and development of employees and studying their relations are helpful tools to improve individual employee performance and are some of the HR practices that affect organizational results in form of improved employee behaviours.

The finding of the study by Chahal (2013) also show that training effectiveness boost the morale of the employee, upgrade skills, improve their performance and gives them the opportunity to get lucrative jobs and also enables them to excel in their jobs. The findings show that the training is aimed at providing the trainee the opportunity of changing their behaviours and contributes to their effectiveness and upgrading their skills. Training activities lead to better performance within an organization (Qureshi et al., 2010). It is through education and training that people who knew how to work hard learn how to also work smart (Geotsch & Davis, 2010). Lincoln, Krishna and Rao (2008) conducted a study on “HRM Practices in Public Sector and Private Sector Banks” and found that training and development if linked with overall strategy will lead to improved performance. They suggested that HR policies of Public Sector Banks should be revised thereby making them more competitive in this challenging era of globalization.

**Conclusion**

From this study it is concluded that employee training and development strategies affect the performance of commercial banks to a great extent. The use of training and development strategies explains a significant 33.4% variance in performance of commercial banks in Kenya. The findings of
this study are in support of Qureshi et al (2010) study in regarding training and development as having a positive effect on organizational performance of Pakistani bankers. Strategic human resource training and development plan plays a very big role in the achievement of the bank’s strategic plan by providing employees with up to date expertise to meet present and future performance demands. Training and development also assumes a vital role in shaping strategy and enabling the commercial banks to take full advantage of emergent business strategies. Commercial banks in Kenya use training and education programmes in order to create knowledge and understanding among staff of how their attitudes and behaviour towards customers form an integral part of the overall service offering. The development of specific skills and core competencies is therefore the key to keep the banking industry viable.

It is concluded that training and development strategies have a great role in influencing the performance of bank employees hence contribute heavily to the performance of commercial banks in Kenya. The findings are consistent with Khilji (2003), claiming that proper training and development opportunities within an organization ensures a positive effect on employee performance. A previous study by Naris and Ukpeere (2009) also identified a positive relationship between training and development and employee performance. Debnath (2003) in a study on the relationship between training and performance of the banking sector in Bangladesh, indicates that productivity of manpower in the banking sector of Bangladesh increased through proper training both on the job and off the job. The banking industry therefore, requires skilled labour in its various sections. The development of specific skills and core competencies is the key to keep the industry viable. Training and development is the activity that increases the individual’s performance and acts like a pasture that contains all those activities that increase the performance of a group to achieve its goals in an organization (Khilji, 2004). Decenzo and Robins (2003) state “training brings about changes in ability, awareness, approach and behavior”. The findings of this study are also in support of Qureshi et al (2010) study who found training and development as having a positive effect on organizational performance. This is also consistent with Keep (1989) who argues that strategic training and development activities are central to the reality of anything that can meaningfully be described as human resource management. The study shows that training and motivation has a positive impact on performance of employees (Khan, 2012; Chaudhary & Sharma, 2012). Omolo (2009) also studied on Practice of the Learning Organization and its Relationship to Performance among Kenyan Commercial Banks and found out that there is an inverse relationship between the practice of learning organization and organizational performance. Barrington (2006) also did a study and found that application of training programs that do not contribute towards realization of increased employee productivity negatively affects realization of organization performance goals. It is therefore necessary to develop and implement training programs that contribute to the achievement of organizational goals. Guest (2007) in their study found that training and development policy play an important role in HRM and contribute to improved organizational performance through Strategic integration, employee commitment, flexibility and quality. This study concludes that organizations having good training plans for employees can enhance the performance of employees.

**Recommendations**

Based on the findings and conclusions of the study, the researcher provides the following recommendations aimed at ensuring that the training and development strategies adopted by commercial banks in Kenya play a positive role in ensuring the improved performance and competitive advantage of the commercial banks that adopt them. Commercial banks in Kenya should match their business strategies with dynamic environment and the human resources management strategy with environment in order to achieve organizational outcomes and organizational bottom-line performance. Commercial banks in Kenya need to develop and document strategies for training employees in order to enhance employee and organizational performance. Commercial banks that want to improve their performance should therefore ensure that the way they use these strategies is unique in order to ensure that they are able to have a competitive edge over their competitors. Commercial banks should also conduct strategic human resources management training programs
including total quality management training programs. The training should be done to employees at all levels and should also expand to include training on other areas in readiness for other jobs in the future. Commercial banks in Kenya should also establish an active training and development policy for its employees. To achieve this, employees should be involved in all activities of the bank starting from the formulation through implementation and up to evaluation. The study also recommends that the commercial bank managers in Kenya should ensure that training needs analysis is conducted regularly in order to establish the training needs of the employees.

From this study it is recommended that scholars and practitioners in human resources management should actively engage in joint research that will be used to assist human resources managers and bank CEOs to effectively ensure the proper link between training and development and organizational performance. The academic research will go a long way in ensuring that there is consistency between theory and practice. Training institutions such as Universities and Colleges in Kenya should work together with human resource practitioners to develop the curriculum for teaching students taking banking related courses in order to ensure a proper link between theory and practice. It should also be made mandatory for students to attend internships/attachment before they graduate in order to apply the theory learned in class practically in the work environment. This should be done at the end of the third year of studies. This will ensure that graduates leaving the training institutions to join the banking sector are already trained in the various practical issues that they will encounter in the banking sector working environment. It is also recommended that senior and experienced bank staff should also be encouraged to co-teach banking related courses in conjunction with the university lecturers. The bankers can attend Lecture sessions and offer support to the lecturers as resource persons. This will give a practical perspective to the delivery of the content.

References


