

**THE LINK BETWEEN STRATEGIC HUMAN RESOURCE DEVELOPMENT
AND EMPLOYEE PERFORMANCE AMONG COMMERCIAL BANKS IN
KENYA**

BY

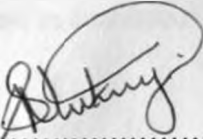
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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL
OF BUSINESS, UNIVERSITY OF NAIROBI**

NOVEMBER, 2010

DECLARATION

This research project is my original work and has not been presented for a degree at any other university.

Signed 

Date 15th November 2010

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This research project has been submitted with our approval as the University Supervisors.

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Date 15-11-2010

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DEDICATION

This study is dedicated to my family, posthumously to my mother, the late Rebecca Vogela Mukungu, my husband Toddy Madahana and daughter Samara Madahana without forgetting my sisters Bertha Nashitsakha, Dr. Christine Ondeko and Loice Jemo whose interest in continuous education inspired me to pursue this course.

ACKNOWLEDGEMENT

My foremost gratitude goes to our Almighty God as my source of all inspiration in allowing me undertake this project that is too involving in terms of time and resources.

I am very grateful to my family for giving me the invaluable support to concentrate on this research.

I would also like to express my sincere thanks to the supervisor Dr. J Gathungu for having agreed to supervise this research paper and their patience in reading the drafts and occasionally guiding me, without which the research would not have been a reality.

Special thanks to my colleagues and classmates for their continued encouragement and support throughout my study.

ABSTRACT

Knowledge is viewed as the key of realization of a competitive advantage. Since the organizational knowledge is largely located in the human mind, as carriers of knowledge and activities, human resources are becoming the key factor of business success. The purpose of this study was to establish the relationship between strategic human resource development and employee performance in the commercial banks in Kenya. The study reviewed the available literature with regard to need for strategic human resource development, link between strategic human resource development and performance, strategic human resource development and productivity, employee motivation, competitive advantage and customer relations. This study used descriptive census survey on all the 43 commercial banks in Nairobi. The primary data was collected through a structured questionnaire administered on a drop and pick basis. Data collected quantitative in nature and was analyzed using descriptive statistics.

The study targeted a sample of 43 respondents based on their functional categories from which only 34 filled in and returned the questionnaires making a response rate of 79%. This infers that employee motivation as a result of strategic human resource development contributes more to the employee performance in the banks followed by customer relations. Majority of the respondents agreed that their organisations train and develop employees on their present qualifications and job knowledge, while a small proportion of the respondents disagreed. Majority of the respondents said that the response of employees regarding the training programs prepared by the organization was positive.

Based on the findings, the study concludes that there is a positive relationship between strategic human resource development and employee performance among commercial

banks in Kenya. The study further concludes that the employees receive timely information on training opportunities and they participate in staff performance appraisal. The study finally concludes that the strategic human resource development practices affect employee performance in commercial banks in Kenya were cost-benefit analysis of training programs. The study recommends that the commercial bank managers should ensure that there are training needs analysis in order to establish the needs of the employees.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Human Resources play an important, strategic role in supporting organizations. The links between HR effectiveness and organizational effectiveness could be explored from different conceptual angles. In Armstrong and Baron (2002) study, the focus is on the multiple links that exist between certain strategic HR development policies and practices, the characteristics of the HR Department and the overall economic performance/success of the firm. Strategic human resource development involves the development of a consistent, aligned collection of practices, and policies to facilitate the achievement of the organization's strategic objectives (Mello, 2002).

1.1.1 Strategic Human Resource Development

Human resources are considered by many to be the most important asset of an organisation, yet very few employers are able to harness the full potential from their employees (Radcliffe, 2005; Kelly, 2001). Lado and Wilson (1994) define human resource system as a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining a firm's human resources. The objective of human resources management is to maximize the return on investment from the organization's human capital and minimize financial risk. It is the responsibility of human resource managers to conduct these activities in an effective, legal, fair, and consistent manner (Huselid, 1995).

Not only do human resources provide the competitive edge, but several recent studies (Vemic, 2007; Tessema and Soeters, 2006; Patton and Marlow, 2002) have confirmed that the quality and innovation of HR practices impact business results. These studies were able to draw a correlation between increased quality of HR practices and increased business success. Strategic human resource development is a subsystem of an organization that emanate from two independent yet interdependent activities training and development. Training is often interpreted as the activity when an expert and learner work together to effectively transfer information from the expert to the learner so the learner can better perform a current task or job. Training activity is both focused upon, and evaluated against, the job that an individual currently holds (Learner, 1986). Development is often viewed as a broad, ongoing multi-faceted set of activities (training activities among them) to bring someone or an organization up to another threshold of performance. It often includes a wide variety of methods. Some view development as a life-long goal and experience. Development focuses upon the activities that the organization employing the individual, or that the individual is part of, may partake in the future, and is almost impossible to evaluate (Nadler, 1984).

Training and development ensures that randomness is reduced and learning or behavioral change takes place in structured format. In the field of human resource management, training and development is the field concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational settings (Vemic, 2007). Management on the other hand is both art and science. It is the art of making people more effective than they would have been. The science is in how you do that.

There are four basic pillars: plan, organize, direct, and monitor (Gomez-Mejia, Luis, Balkin and Cardy, 2008). According to Kelly (2001), management in business and human organization activity is simply the act of getting people together to accomplish desired goals.

1.1.3 Strategic Human Resource Development and Employee Performance

There are a number of HR practices that could be tested in connection with employee performance. Teseema & Soeters (2006) have studied eight HR practices and their relationship with perceived employee performance. These eight practices include recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension or social security. Huselid (1995) used eleven HRM practices in his study which are personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor management participation, recruitment efforts, employee training and promotion criteria.

A number of studies indicate that employee training has a positive impact on corporate performance. They generally test the hypothesis that, by improving the competency of employees, training also improves their productivity, which is reflected in an improvement in the firm's performance. Betcherman, McMullen and Davidman (1998) concluded that firms that have training programs tended to perform better in terms of productivity, revenues, profitability, viability and prospects.

Saks et al. (2002) also found a positive relation between training and productivity, profit, revenue and client satisfaction, a relation that is more significant when the training is accompanied by incentives for the employees.

HRM can fundamentally be separated into two types of approaches, the 'hard' and 'soft' models of HRM (Radcliffe, 2005). In direct contrast to the 'hard' method is the 'soft' version of HRM, which although still primarily concerned with the performance of the organisation, is also likely to advocate equal concern for the wellbeing of its employees (Radcliffe, 2005). This relationship between HRM practices and employee well-being is illustrated in the Harvard Model (Beer, et al, 1984), which looks at all stakeholders interests from the shareholders, to the employees, to the unions, in addition to taking into account situational factors such as societal values and workplace conditions. According to the Harvard Model, once the appropriate HRM policy choices have been made, HR outcomes of commitment, competence, congruence and cost-effectiveness should occur (Beer et al., 1984). This model suggests a 'soft' approach to HRM is required if employees are to benefit from HRM practices.

1.1.4 Commercial Banks in Kenya

The Banking industry in Kenya 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 banking sector was liberalized in 1995 and exchange controls lifted (PWC, 2008). The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines (PWC, 2008).

The Commercial banking sector comprised of 46 institutions, 43 of which were commercial banks, 3 mortgage finance companies and 1 non-bank financial institution as at 31st December 2007 (CBK, 2009). Out of 46 institutions, 35 are locally owned and 10 were foreign owned. The locally owned financial institutions comprised of 3 banks with significant shareholding by the Government and State Corporations, 29 commercial banks, 2 mortgage finance institutions and 1 non-bank financial institution. Local private institutions constitute 71.1 per cent of total institutions while local public institutions constitute 6.7 per cent and foreign institutions 22.2 per cent (CBK, 2008). The total net assets for local private institutions constituted 54.7 per cent while the local public institutions and foreign institutions constituted 5.3 per cent and 40.0 per cent of the total net assets respectively (CBK, 2008).

The banking sector has embraced changes occurring in Information Technology with most banks having already achieved branchless banking as a result of the adoption of employee productivity options. The increased utilization of modern information and employee productivity technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures. The Central Bank notes that advancement in Information and Employee productivity Technology in the banking industry has enhanced efficiency and improved customer service. Several banks have also entered into the Internet Banking and established websites. Internet banking however is still at its infancy and more in terms of utilization is expected in this sector. (The Central Bank Annual Supervision report 2003)

1.2 Statement of the Problem

Knowledge is viewed as the key of realization of a competitive advantage. Since the organizational knowledge is largely located in the human mind, i.e. the head of employees, as carriers of knowledge and activities, human resources are becoming the key factor of business success (Vemic, 2007). The increasing complexity, turbulence and uncertainty of the environment require different and greater knowledge. Modern business requires more and more knowledge and skills that are still inadequately present in the formal school education, i.e. the gap between business requirements and the knowledge acquired at school is growing (Vemic, 2007).

Strategic human resource management is fundamental to organizational development, as this is always conditioned by human knowledge and skills. That is why contemporary organizations pay more and more attention to the development of their employees. Thus, human resource development is becoming an optimal answer to complex business challenges, and the management of human resources is taking central role in modern management. Through the process of strategic human resource development, the management of human resources provides constant knowledge innovation, creates conditions for mutual knowledge and experience exchange and proactive behaviour, in this way contributing to competitive advantage and satisfaction of all participants in business procedures.

There are a few studies in Kenya that have been done on training but these have focused on totally different organizations other than commercial banks. Agala-Mulwa (2002) who did a survey of the relationship between training and development programs and job

satisfaction in micro finance institutions in Nairobi; Nguku (2006) carried out a survey of staff training and development practices in state corporations in Kenya, while Ochuka (2007) did a research on cross cultural training for Kenyan expatriate managers whose focus was on practices among Kenyan manufacturing firms among others. None of these studies has tackled the relationship between training and employee performance. Mohamed (2006) did a study on training in the banking industry. However, it focuses on how and what training services commercial banks in Kenya outsource. Thus, this constitutes a knowledge gap that the present study seeks to fill in. The purpose of this study therefore, is to establish the link between strategic human resource development and employee performance. The study in achieving at its objectives will answer the following questions: What are the strategic human resource development programs in commercial banks? What is the link between strategic human resource development and employee performance?

1.3 Objectives of the Study

The objectives of this study is to establish the relationship between strategic human resource development and employee performance in the commercial banks in Kenya

1.4 Importance of the Study

This study is important to the all the top management in the banking industry and especially to the human resource managers of various commercial banks in Kenya.

The findings of this study will lead to more focus on strategic human resource development programs in the banking industry as the results will inform the human resource managers of the possible relationship between their strategic human resource development programs put in place and the performance of employees.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

As the workplace undergoes sweeping changes, such as the pressure of more global competition (Cascio, 1995), the need for strategies to keep up with these changes is increasingly important. An organization's investment in human capital through the education and training of its members is therefore a central component of competitive strategy (Bassi and Van, 1998).

While highlighting the critical need for proper measures for training constructs, Kitching and Blackburn (2002) noted that the mismatch between firm practice and research focus is something that needs immediate attention. A broad definition of training includes any attempt, within or outside the organisation, to increase job-related knowledge and skills of either managers or employees (Kitching and Blackburn, 2002). Although this definition captures important parameters, the Skills Assessment Report (2002) also emphasizes specifically the need to distinguish between formal and informal training approaches. Training in itself is a difficult concept to quantify, but Westhead (1998) believes that the practice of providing sweeping generalizations to cover a variety of cases that are in many ways dissimilar makes things even more confusing.

Formal training and development is defined as "initiatives which can be identified by both recipients and deliverers as an intervention which has a structured mode of delivery, where the aim is to impart new awareness or knowledge of a workplace process or activity" (Patton and Marlow, 2002).

2.2 Need for Strategic Human Resource Development

According to Beardwell & Holden (1997) human resource management has emerged as a set of prescriptions for managing people at work. Its central claim is that by matching the size and skills of the workforce to the productive requirements of the organization, and by raising the quality of individual employee's contributions to production, organizations can make significant improvements on their performance.

The environment of an organization refers to the sum total of the factors or variables that may influence the present and future survival of an organization (Armstrong, 1998). The factors may be internal or external to the organization. Cascio (1995), uses the terms societal environment to define the varying trends and general forces that do not relate directly to the company but could impact indirectly on the company at some point in time. Vemic (2007) for example, identify two sub-environments in the external environment that they refer to as the macro and competitive environment.

2.3 Link between Strategic Human Resource Development and Performance

Strategic HRM is based on HRM principles incorporating the concept of strategy. So if HRM is a coherent approach to the management of people, strategic HRM now implies that that is done on a planned way that integrates organizational goals with policies and action sequences (Purcell, Kinnie and Hutchinson, 2003). The intangible value of an organisation which lies in the people it employs is gaining recognition by accountants and investors, and it is generally now accepted that this has implications for long term sustained performance (Boxall and Purcell, 2003). Companies who work hard to meet the

needs of their employees can cultivate a work atmosphere conducive to enhance the performance.

2.3.1 Strategic Human Resource Development and Productivity

McGhee (1997) stated that an organization should commit its resources to a training activity only if, in the best judgment of managers, the training can be expected to achieve some results other than modifying employee behaviour. It must support some organizational and goals, such as more efficient producer or distribution of goods and services, product operating costs, improved quality or more efficient personal relations is the modification of employees behaviour affected through training should be aimed at supporting organization objectives.

According to Armstrong (2003) all organizations are concerned with what should be done to achieve sustainable high levels of performance through people. This means giving close attention on how individual can best be motivated through such means as incentives, rewards, leadership and training. It may' be that some type of additional training can help to bring them up to pair. Such training needs may be experienced with employees or with group of employees or individual who need additional SHRM and it is necessary to determine what they need.

According to Cockburn (1983), training can only add value results if there is an opportunity for added value. Either the business is not performing effectively because people are not performing, or there is a market opportunity, which can be exploited but requires some new training or development.

2.3.2 Employee Motivation

Motivation is concerned with the factors that influence people to behave in certain ways. Arnold et al (1991), have listed the components as being, direction-what a person is trying to do, effort- how hard a person is trying to and persistence- how long a person keeps on trying. Motivating other people is about getting them to move in the direction you want them to go in order to achieve a result, well motivated people are those with clearly defined goals who take action that they expect will achieve those goals. Motivation at work can take place in two ways (Synderman 1957). The organization as a whole can provide the context within which high levels of motivation can be achieved through training the employees in areas of their job performance.

2.3.3 Competitive Advantage

Competitive advantage is the essence of competitive strategy. It encompasses those capabilities, resources, relationships, and decisions, which permits an organization to capitalize on opportunities in the market place and to avoid threats to its desired position, (Lengnick-Hall 1990). Boxall and Purcell (1992) suggest that 'human resource advantage can be traced to better people employed in organizations with better processes. This echoes the resource based view of the firm, which states that 'distinctive human resource practices help to create the unique competences that determine how firms compete' (Capelli and Crocker- Hefter, 1996). Intellectual capital is the source of competitive advantage for organizations. The challenge is to ensure that firms have the ability to find, assimilate, compensate, and retain human capital in shape of talented individual who can

drive a global organization that is both responsive to its customer and 'the burgeoning opportunities of technology' (Armstrong, 2005)

Many organizations have got to the point of recognizing that training development is a strategic priority rather than a tactical response. A reason for training and development is to give the organization a competitive edge (Christopher M. 1995). More and more organizations are using human resource strategy as a way or integrating their business planning processes with organization wide development and human resource activities, from recruitment through to succession planning. For example public enterprise cannot succeed simply in terms of profit and market share; the way they acquire resources and deliver services is increasingly becoming a driver for competitive advantage. The more an organization comes to have a reputation of progressive training and development the greater its chances of attracting high calibre candidate when recruiting (Christopher M. 1998).

2.3.4 Customer Relations

William Edward Deming, one of the quality Gurus defines quality as a predictable degree of uniformity and dependability at low costs and suitable to the market, he advises that an organisation should focus on the improvement of the process as the system rather than the work, which is the cause of production variation (Gale 1994).

Many service organisations have embraced this approach of quality assurance by checking on the systems and processes used to deliver the end product to the consumer (Gale 1994). Developing good employee productivity skills leads to success of business

people. To become a better communicator one should be trained which will enable him/her have a clear purpose; clear recognition of ones purpose in using the phone for example is the first step towards achieving positive results. displaying thorough knowledge, confidence and enthusiasm while conversing, accepting one's responsibility also assures customers and finally one should listen hard to the customer complaints (Smith 1994).

When handling difficult or angry customers the servicer should aim to first understand the problem and acknowledge that there is a problem and approach the customer in a professional manner. The employee should show concern and try to cool the situation and the use of the correct voice can also be an asset; by being friendly, courteous and speaking professionally one can easily win the customers respect and create a rapport (Smith 1994).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. The following subsections were included; research design, target population, sampling design, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

This study used descriptive census survey. A descriptive census survey attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on variables or their interaction. In this case, the research problem was to establish the link between human resource development and performance of the commercial banks in Kenya. A descriptive research also defines questions, people surveyed, and the method of analysis prior to beginning data collection.

3.3 Population

According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated (Brinks, 2002). The target population was all the 43 commercial banks in Nairobi. This was because the management of employees might be different from one commercial bank to the other though they are engaged in the same line of business.

3.4 Data Collection

This study relied on primary data. The primary data was collected through a structured questionnaire administered on a drop and pick basis, targeting the managers in the human resource department in commercial banks in Kenya. The respondents were chosen since they are involved in the management of the human resources in the banks, therefore they were also more conversant with issues related to training and development and performance.

Primary data was collected directly from the respondents who in this case are from the human resource department. Care was taken to ensure that the respondents were representative, and not biased in any manner.

Secondary data was collected from published and unpublished sources. There are very relevant materials on the subject at hand in the libraries. Use was also made of relevant, recognized and authoritative sources of data in the Internet.

3.5 Data Analysis

The completed questionnaires were edited for completeness and consistency. The data was then coded and checked for coding errors and omissions. Data collected was mainly quantitative in nature and was analyzed using descriptive statistics. The descriptive statistical tools helped the researcher to describe the data and determine the extent used. This included frequencies, percentages, mean and standard deviations. SPSS (Statistical Package for Social Sciences), Ms Excel and likerts type scale was used in analyzing the

questions. This generated quantitative reports which were presented through tabulations, charts and graphs. In addition, advanced statistical techniques (inferential statistics) were also considered. This was mainly the regression model to test relationship among variables (independent and dependent). The regression equation was ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$):

Whereby Y = Employee performance

X_1 = Employee productivity

X_2 = Employee motivation

X_3 = Competitive advantage

X_4 = Customer relations

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of determination

ε = Error term

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents analysis of the data found on the link between strategic human resource development and employee performance among commercial banks in Kenya. . The researcher targeted a sample of 43 respondents based on their functional categories from which only 34 filled in and returned the questionnaires making a response rate of 79%. This response rate was good and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The study also collected secondary data on the subject matter from the data at company records and internet.

4.2 Demographic Information

Table 4.1 presents results on gender composition of the respondents. The results aimed to investigate the gender distribution of the respondents within the commercial banks.

Table 4.1: Gender of the Respondents

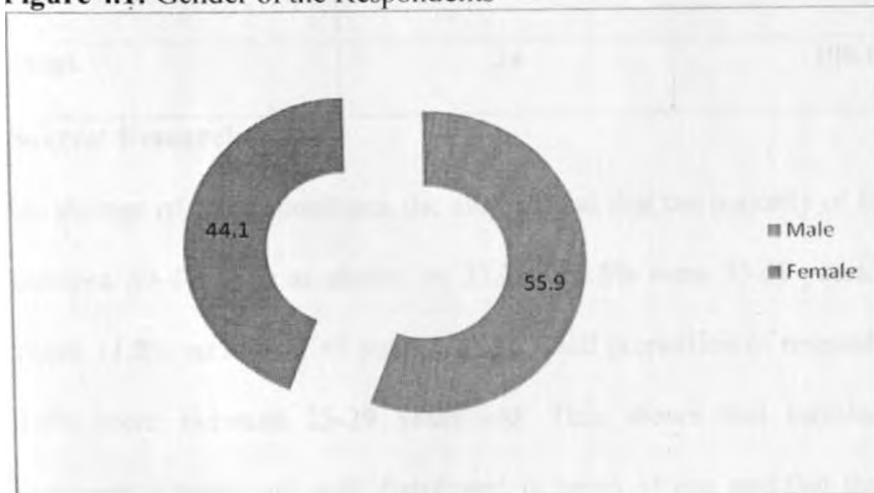
Gender	Frequency	Percentage
Male	19	55.9
Female	15	44.1
Total	34	100.0

Source: Researcher, 2010

The gender distribution of the employees working in the organizations implies the contribution of male and female workers and their distribution influences generalization of the results. From the findings, the study established that the majority of respondents were males as shown by 55.9%, while females were 44.1%. This shows that the banks employ both male and female members.

The same results are depicted in **Figure 4.1** below. The study used a pie chart with two segments where the percentages of the male and female respondents are shown.

Figure 4.1: Gender of the Respondents



Source: Researcher, 2010

From the figure above, shows that majority of the respondents are males. The results also show that there is a slight difference in the distribution of the male and female workers hence their responses can be taken as a representative both male and female workers in the banks.

The study also sought to investigate the age of the respondents. The results were presented in a tabular form as shown in **Table 4.2** below.

Table 4.2: Age of the Respondents

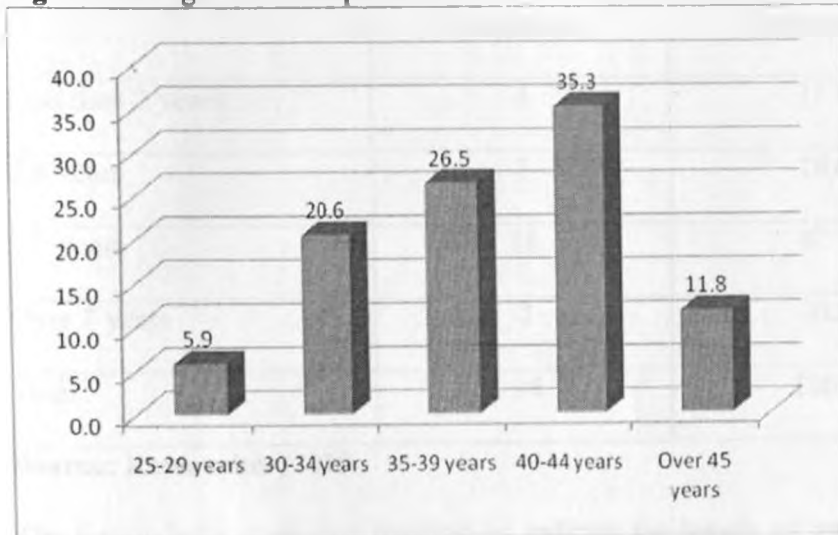
	Frequency	Percentage
25-29 years	2	5.9
30-34 years	7	20.6
35-39 years	9	26.5
40-44 years	12	35.3
Over 45 years	4	11.8
Total	34	100.0

Source: Researcher, 2010

On the age of the respondents, the study found that the majority of the respondents were between 40-44 years as shown by 35.3%, 26.5% were 35-39 years, 20.6% were 30-34 years, 11.8% were over 45 years while a small proportion of respondents as indicated by 5.9% were between 25-29 years old. This shows that members working in the commercial banks are well distributed in terms of age and that the staff comprises of members who are active in technological advancements and productivity.

Figure 4.2 is a diagrammatical representation of the results on the age brackets of the respondents. The figure depicts a bar graph with age brackets shown on different bars and the corresponding percentage shown as the vertical axis of the figure.

Figure 4.2: Age of the Respondents



Source: Researcher, 2010

Generally members working in the commercial banks are well distributed in terms of age. However majority of them are aged between 40 and 44 years. The results of this study can therefore be taken as a representative employees of both genders working in the banks.

The study also sought to establish the length of continuous service that the respondents had worked in their organizations. **Table of 4.3** is a tabular presentation of the results on the length of time that the respondents had worked in their organizations.

Table 4.3: Length of continuous service in the organization

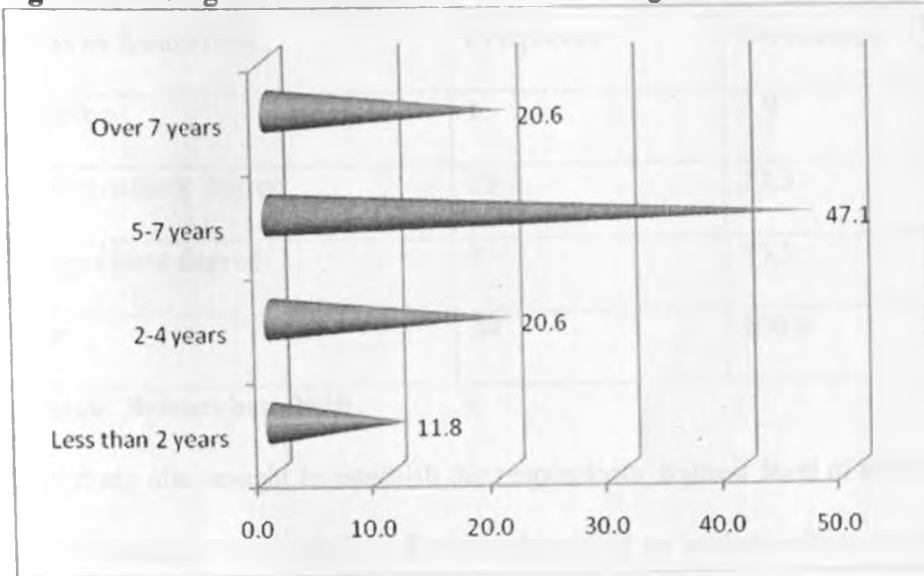
	Frequency	Percentage
Less than 2 years	4	11.8
2-4 years	7	20.6
5-7 years	16	47.1
Over 7 years	7	20.6
Total	34	100.0

Source: Researcher, 2010

The respondents were also required to indicate the length of continuous service in the organization. From the study 47.1% of the respondents had been working for a period between 5-7 years, 20.6% of the respondents said over 7 years and 2-4 years respectively, while 11.8% of the respondents reported that they had been working in their respective organizations for less than 2 years. This shows that most respondents had enough work experience in the organization to respond effectively.

The study results were presented in **Figure 4.3**. The diagram depicts horizontal cones with the horizontal axis showing the percentages and the vertical scale showing the length of time served.

Figure 4.3: Length of Continuous Service in the Organization



Source: Researcher, 2010

The results shown in figure 4.3 show that majority of the respondents had worked in the organizations for a period of at least two years and hence had enough experience in the field. As such they had a better understanding and precision on the relationship between strategic HR development and performance.

Table 4.4 presents the results on the level of education of the respondents. This information shows the various levels of education attained by the respondents and hence their ability to respond to the issues sought by the study.

Table 4.4: Level of Education

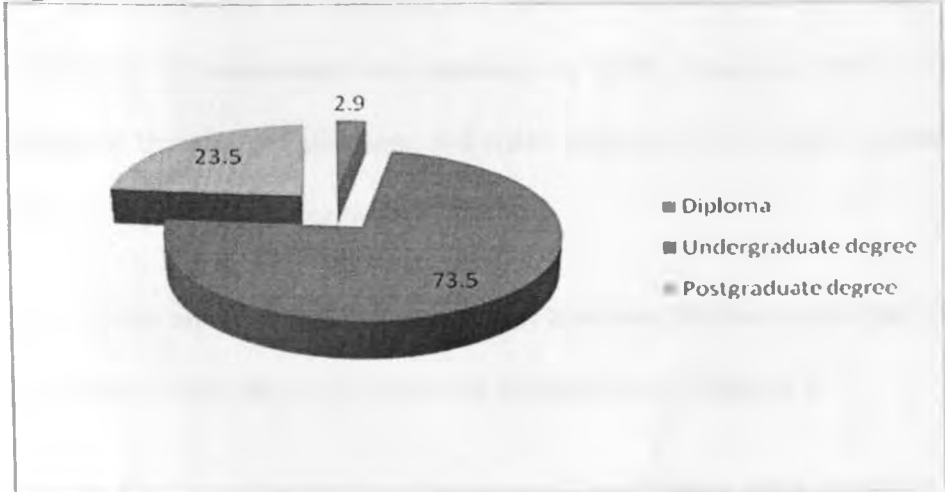
Level of Education	Frequency	Percentage
Diploma	1	2.9
Undergraduate degree	25	73.5
Postgraduate degree	8	23.5
Total	34	100.0

Source: Researcher, 2010

The study also sought to establish the respondents' highest level of education. According to the findings, the majority of respondents had an undergraduate degree as shown by 73.5% of the respondents, 23.5% had a postgraduate degree, while a small proportion of respondents as indicated by 2.9% had a diploma as their highest level of education. The respondents indicated that their duties and responsibilities in their current position as managers in the human resource department were such as taking care of all the HR facets of the organization. This implies that the respondents had enough level of education to respond to the issues sought by this study.

A summary of the results is given in **Figure 4.4**. This is a pie chart with different segments on the various levels of education in the organizations.

Figure 4.4: Level of Education



Source: Researcher, 2010

The findings show that majority of the respondents are undergraduates implying that the respondents had enough level of education to respond to the issues sought by this study.

Table 4.5 depicts the results whether the organisation train and develop employees on their present qualification and job knowledge. This information shows the respondents' agreement on whether the organizations train their employees.

Table 4.5: Organisation Train Employees' Qualification and Knowledge

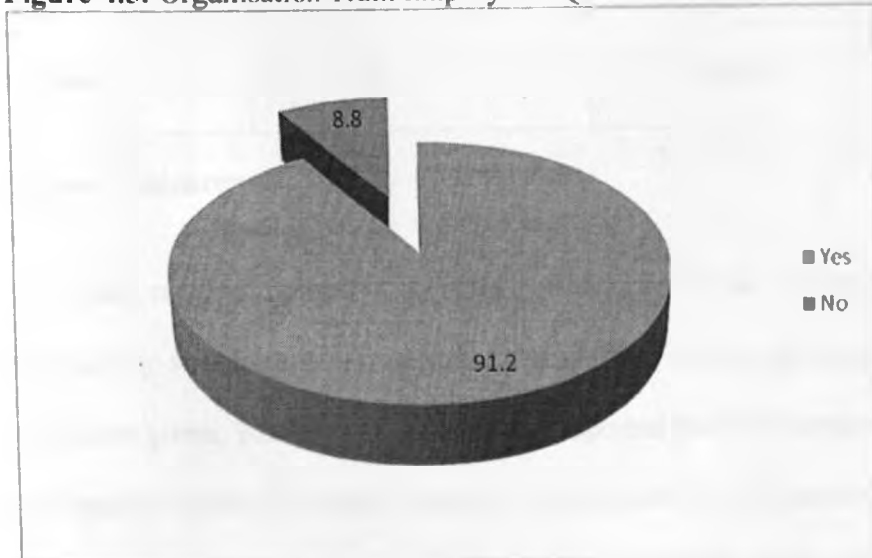
Response	Frequency	Percentage
Yes	31	91.2
No	3	8.8
Total	34	100.0

Source: Researcher, 2010

The respondents were also requested to indicate whether the organisation train and develop employees on their present qualification and job knowledge. From the results of the study, the majority of the respondents (91.2%) agreed that the organisation train and develop employees on their present qualification and job knowledge while a small proportion of respondents as indicated by 8.8% disagreed with this. They further indicated that the qualifications that make them perform in their position was MBA in Human Resource management.

The results on whether the organisation train and develop employees on their present qualification and job knowledge were summarized in **Figure 4.5**.

Figure 4.5: Organisation Train Employees' Qualification and Knowledge



Source: Researcher, 2010

This is a diagrammatical summary in form of a pie chart with the respondents' agreement shown as 'yes' in one segment and disagreement shown as 'no' in another agreement. From the results, the organisation train and develop employees on their present

qualification and job knowledge which enhances their performance in the human resource management.

4.3 Strategic Human Resource Development

The study sought to investigate whether the company is giving adequate and quality strategic human resource development to the employees. The results were presented in **Table 4.6.**

Table 4.6: Company Gives Adequate and Quality Strategic HR Development

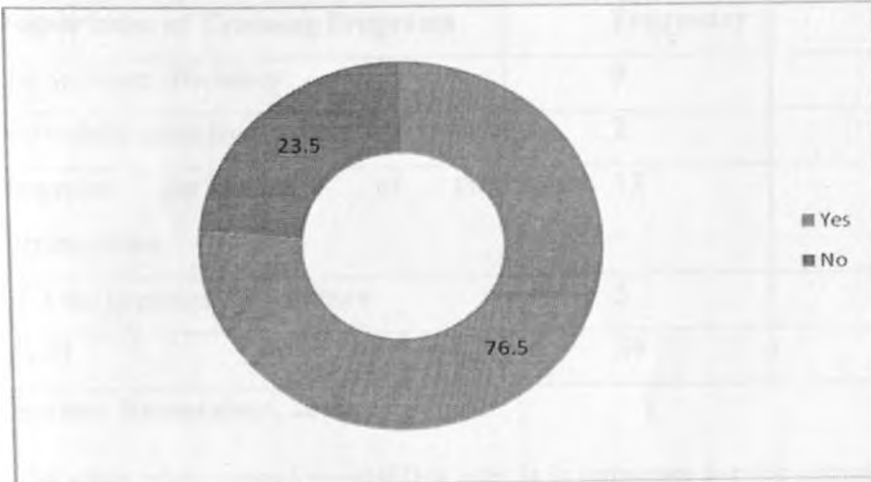
Response	Frequency	Percentage
Yes	26	76.5
No	8	23.5
Total	34	100.0

Source: Researcher, 2010

The study required the respondents to indicate whether the company is giving adequate and quality strategic human resource development to the employees. According to the responses given, 76.5% of the respondents reported that the company is giving adequate and quality strategic human resource development to the employees while 23.5 felt otherwise. This infers that majority of the commercial banks are perceived to offer adequate and quality strategic human resource development to their employees as they perceive it has significant effects of their employees' performance.

The results were further summarised in a diagrammatical representation. **Figure 4.6** shows a summary of the respondents' agreement on whether their companies gave adequate and quality strategic human resource development to the employees.

Figure 4.6: Company Gives Adequate and Quality Strategic HR Development



Source: Researcher, 2010

The results show that majority of the banks offer quality strategic human resource development to their employees and this has it has significant effects of their performance.

Table 4.7 presents the results on why it is important for the company to come up with training programs. This is a tabular representation on the various aspects that drives the companies to come up with training programs.

Table 4.7: Importance of the Company to Coming up with Training Programs

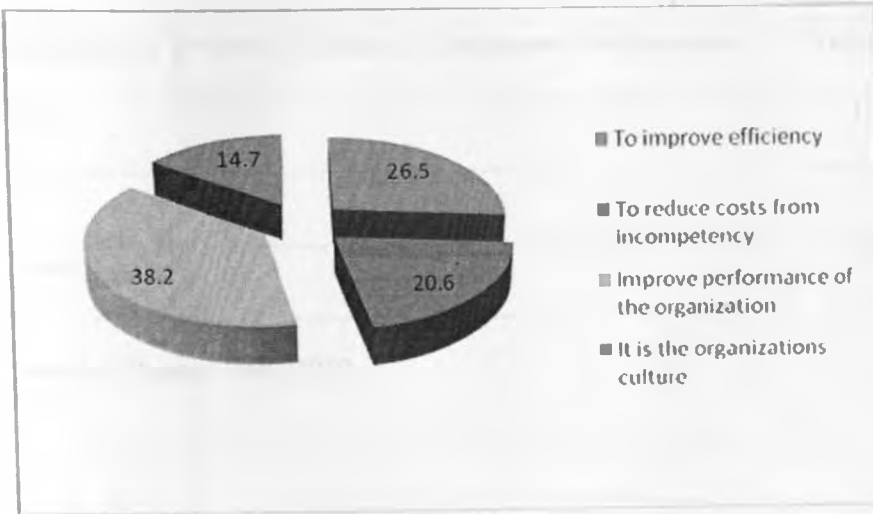
Importance of Training Programs	Frequency	Percentage
To improve efficiency	9	26.5
To reduce costs from incompetency	7	20.6
Improve performance of the organization	13	38.2
It is the organizations culture	5	14.7
Total	34	100.0

Source: Researcher, 2010

The study also wanted to establish why it is important for the company to come up with training programs. From the results of the study, the majority of respondents as shown by 38.2% felt that it is important for the company to come up with training programs improve performance of the organization, 26.5% said it was to improve efficiency, 20.6% said it was to reduce costs from incompetency while 14.7% of the respondents said it is the organizations culture to come up with training programs. This is a clear indication that it is important for the company to come up with training programs improve performance of the organization.

The results on why it is important for the company to come up with training programs were summarised in **Figure 4.7**. The figure shows various segments representing the various aspects that drive the companies to come up with training programs

Figure 4.7: Importance of the Company to Coming up with Training Programs



Source: Researcher, 2010

The results show that training programs are important for they improve performance, efficiency and reduce costs from incompetency in the organization. Other reasons for training programs are to reduce costs from incompetency, organizations culture to come up with training programs.

The study sought to investigate whether there is a relationship between employee training and performance. **Table 4.8** presents a summary of the results on whether there is a relationship between employee training and performance.

Table 4.8: There is a Relationship between Employees Training and Performance

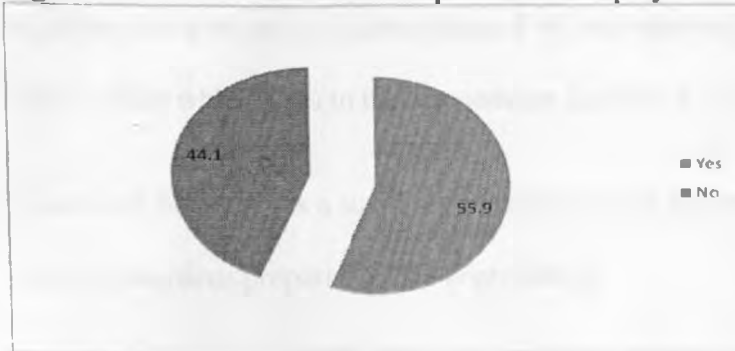
Employees Training Relates to Employee Performance	Frequency	Percentage
Yes	19	55.9
No	15	44.1
Total	34	100.0

Source: Researcher, 2010

According to the findings, the majority of respondents (55.9%) agreed that there is adequate relationship between employees training and their level of performance while 44.1% disagreed with this. This is an indication that employee training is important as it has a relationship with their performance and thus should be considered by such organizations.

Figure 4.8 shows a summary of the results on whether there is a relationship between employee training and performance.

Figure 4.8: There is a Relationship between Employees Training and Performance



Source: Researcher, 2010

This results show that majority of the respondents agree that there is a relationship between employee training and performance. A number of the respondents were in disagreement showing that some of the respondents don't find any relationship between employee training and performance.

The study sought to investigate respondents' views regarding the training programs prepared by the organization. **Table 4.9** gives a summary of the results.

Table 4.9: Response of Employees on 'Training Programs in the Organization

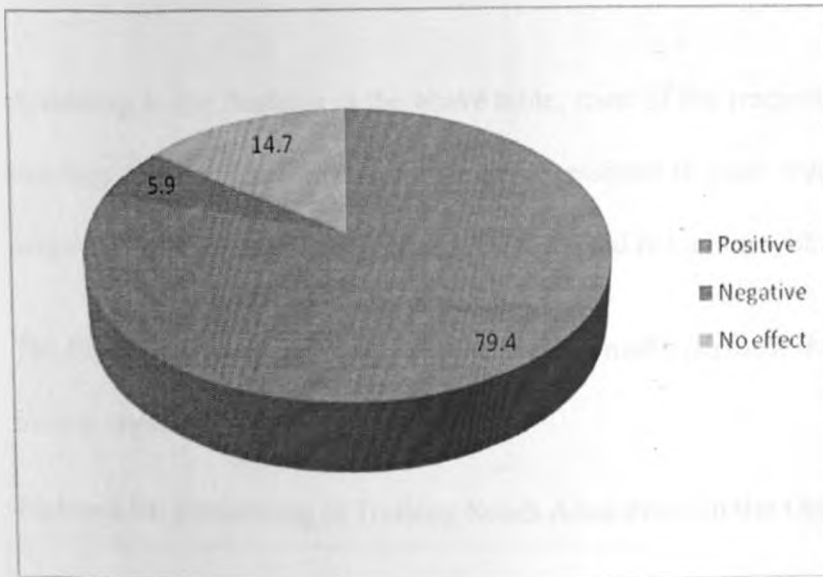
Response	Frequency	Percentage
Positive	27	79.4
Negative	2	5.9
No effect	5	14.7
Total	34	100.0

Source: Researcher, 2010

The respondents were also requested to give their views on the response of employees regarding the training programs prepared by the organization. According to the findings, majority of the respondents as indicated by 79.4% said that the response of employees regarding the training programs prepared by the organization was positive, 14.7% said it has no effect while 5.9% of the respondents said that it was negative.

Figure 4.9 below gives a summary of the results on the respondents' views regarding the training programs prepared by the organization.

Figure 4.9: Response of Employees on Training Programs in the Organization



Source: Researcher, 2010

These results show that majority of the respondents view training programs prepared by the organization are positive. The results also show that a good proportion of the workers in these organization feel no effect of training programs on their performance.

This result further suggest that the organizations should train their employees to impact their performance positively.

Table 4.10 shows the respondents' views on whether they normally perform training needs assessment in their organizations.

Table 4.10: Performing of Training Needs Assessment in the Organization

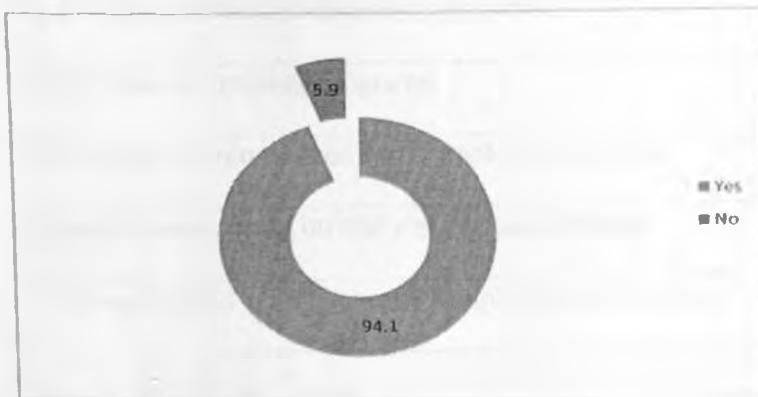
Response	Frequency	Percentage
Yes	32	94.1
No	2	5.9
Total	34	100.0

Source: Researcher, 2010

According to the findings in the above table, most of the respondents (94.1%) indicated that they normally perform training needs assessment in your organization, while a small proportion of respondents as indicated by 6.7% did not agree with.

The **Figure 4.10** depicts results whether they normally perform training needs assessment in their organizations.

Figure 4.10: Performing of Training Needs Assessment in the Organization



Source: Researcher, 2010

The pie chart represents the level of training needs assessment in the organizations. It indicates that majority of the organizations carry out training needs assessment frequently. A small percentage of the respondents indicated disagreement and thus its notable that some of the organizations do not conduct training needs assessment frequently. This implies that the purposes of training needs assessment as a strategic human resource function are not well practiced in all the organizations.

Table 4.11 presents results on the extent that the respondents were in agreement with various statements.

Table 4.11: Extent of Agreement with Various Statements

Statement	Mean	Std Dev
My employer gives me the opportunity for training	4.1126	.66012
I receive support for training from managers and supervisors	3.4314	.92206
My employer encourages me to seek educational and professionals training opportunities	4.1588	1.10294
I receive timely information on training opportunities	4.6824	1.10720
I participate in staff performance appraisal	4.5686	1.10009
I participate in training programs	3.9608	1.05265
Employees are recognized and rewarded for training	3.5658	1.54810
Promotions are based on one's efforts and training	3.3725	1.3558
Training leads to effectiveness in employee performance.	3.1176	1.4373

Source: Researcher, 2010

The study also sought to establish the extent that the respondents were in agreement with various statements. From the study, the majority of respondents agreed to a great extent that they receive timely information on training opportunities shown by a mean score of 4.6824 and they participate in staff performance appraisal shown by a mean score of 4.5686. majority also agreed to a great extent that the employer encourages me to seek educational and professionals training opportunities shown by a mean score of 4.1588, the employer gives me the opportunity for training shown by a mean score of 4.1126, they participate in training programs shown by a mean score of 3.9608 and employees are recognized and rewarded for training shown by a mean score of 3.5658. Majority of the respondents agreed to a moderate extent that receives support for training from managers and supervisors shown by a mean score of 3.4314, promotions are based on one's efforts and training shown by a mean score of 3.3725 and training leads to effectiveness in employee performance shown by a mean score of 3.1176.

Table 4.12 shows results on the impact of training and development on various aspects.

Table 4.12: Impact of Training and Development on Various Aspects

Statement	Mean	Std Dev
Elimination of Job Discrepancies	1.4706	1.4050
Adoption to Changing Environment	1.5373	1.2809
Increase in Productivity	1.2880	.9697
Employ Motivation	1.7843	.98618
Enhancement of Competitive Advantage	1.2235	.99410
Improvement in Customer Relation	1.4451	1.1635

Source: Researcher, 2010

On the impact of training and development on various aspects, majority of the respondents indicated that training and development impact positively on enhancement of competitive advantage shown by a mean score of 1.2235, increase in productivity shown by a mean score of 1.2880, improvement in customer relation 1.4451 and elimination of job discrepancies shown by a mean score of 1.4706 and also negatively impact on adoption to changing environment shown by a mean score of 1.5373 and employee motivation shown by a mean score of 1.7843.

Table 4.13 shows results on the extent that various factors improve performance.

Table 4.13: Extent that Various Factors Improve Performance

Factors	Mean	Std Dev
Elimination of Job Discrepancies	3.6863	1.08610
Adoption to Changing Environment	3.9804	1.00976
Increase in Productivity	3.9608	.93725
Employ Motivation	3.4706	1.5537
Enhancement of Competitive Advantage	4.0000	1.0198
Improvement in Customer Relation	3.9020	1.1358

Source: Researcher, 2010

On the extent that various factors improve performance, majority of the respondents were in agreement that the factors that improve performance were enhancement of competitive advantage shown by a mean score of 4.0000, adoption to changing environment shown by a mean score of 3.9804, increase in productivity shown by a mean score of 3.9608, improvement in customer relation shown by a mean score of 3.9020 and elimination of

job discrepancies shown by a mean score of 3.6863 while others were neutral on the fact that employee motivation improve performance shown by a mean score of 3.4706.

Table 4.14 summarizes results on the extent that various strategic human resource development practices affect employee performance in commercial banks in Kenya.

Table 4.14: Effects of Strategic HR Development on Employee Performance

Effects of SHRD on Performance of Banks	Mean	Std Dev
Formal training program	4.1176	1.08898
Training need analysis	4.0392	1.11285
Cost-benefit analysis of training programs	4.7451	1.1635
Evaluation of the training programs	4.4706	1.4050
Provision of opportunities to use and develop my skills	4.3725	1.3558

Source: Researcher, 2010

On the extent that various strategic human resource development practices affect employee performance in commercial banks in Kenya, majority of the respondents indicated that the strategic human resource development practices affect employee performance in commercial banks in Kenya to a very great extent was Cost-benefit analysis of training programs shown by a mean score of 4.7451 while those that affect to a great extent include evaluation of the training programs shown by a mean score of 4.4706, provision of opportunities to use and develop my skills shown by a mean score of 4.3725, formal training program shown by a mean score of 4.1176 and training need analysis shown by a mean score of 4.0392.

4.4 Inferential Analysis

In addition to descriptive analysis, the researcher conducted a multiple regression analysis so as to determine the relationship between strategic human resource development and employee performance in the commercial banks in Kenya. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Table 4.15 shows the results on the coefficient of determinants as which explains the extent to which changes in the dependent variable can be explained by the change in the independent variables.

Table 4.15: Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1	.757(a)	.574	.533	.91241	0.04

Source: Researcher, 2010

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (employee performance) that is explained by all the four independent variables (employee productivity, employee motivation, competitive advantage and customer relations).

The four independent variables that were studied, explain only 57.4% of the relationship between strategic human resource development and employee performance in the commercial banks in Kenya as represented by the R^2 . This therefore means that other factors not studied in this research contribute 42.6% of the employee performance in the institutions. Therefore, further research should be conducted to investigate the other factors (42.6%) that influence employee performance in the commercial banks in Kenya.

Table 4.16 shows the multiple regression results on the relationship between strategic human resource development and employee performance in the commercial banks in Kenya

Table 4.16: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	
(Constant)	3.374	.842		4.009	.000
Employee productivity	0.156	.113	-.330	-2.708	.008
Employee motivation	0.853	.146	-.032	-.276	.078
Competitive advantage	0.169	.116	.089	.849	.039
customer relations	0.205	.105	-.080	-.673	.050

Source: Researcher, 2010

The researcher conducted a multiple regression analysis so as to determine the relationship between the employee performance and the four variable factors. As per the SPSS generated, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 3.374 + 0.156 X_1 + 0.853 X_2 + 0.169 X_3 + 0.205 X_4$$

Where Y is the dependent variable (employee performance), X_1 is the employee productivity independent variable, X_2 is the employees motivation independent variable, X_3 is competitive advantage independent variable and X_4 is customer relations independent variable.

According to the regression equation established, taking all factors (employee productivity, employee motivation, competitive advantage and customer relations) constant at zero, the employee performance will be 3.374. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in employee motivation as a result of strategic human resource development will lead to a 0.853 increase in the employee performance in the commercial banks in Kenya. A unit increase in customer relations as a result of strategic human resource development will lead to a 0.205 increase in employee performance; a unit increase in competitive advantage as a result of strategic human resource development will lead to a 0.169 increase in employee performance in the commercial banks, while a unit increase in employee productivity as a result of strategic human resource development will lead to a 0.156 increase in employee performance at the institutions. This infers that employee motivation as a result of strategic human resource development contributes more to the employee performance in the banks followed by customer relations.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents a summary of the data findings on the link between strategic human resource development and employee performance among commercial banks in Kenya. Based on the findings in chapter four, the study gives recommendations on what commercial banks in Kenya management can do to improve its performance. The suggestion for further research is also discussed. From the analysis and data collected, the following discussions, conclusions and recommendations were made. The recommendations were based on the objectives of the study.

5.2 Summary

From the study findings in the above chapter, it was clear from the study that the companies are giving adequate and quality strategic human resource development to the employees. It is important for the company to come up with training programs improve performance of the organization, to improve efficiency and to reduce costs from incompetency. There is adequate relationship between employees training and their level of performance.

The study further found that the response of employees regarding the training programs prepared by the organization was positive and that the banks normally perform training needs assessment. The study also found that the employees receive timely information on

training opportunities, they participate in staff performance appraisal, the employer encourages them to seek educational and professional training opportunities, the employer gives them the opportunity for training, they participate in training programs and employees are recognized and rewarded for training.

The study also found that training and development impact positively on enhancement of competitive advantage, increase in productivity, improvement in customer relation and elimination of job discrepancies. It was also clear from the study that the factors that improve performance were enhancement of competitive advantage, adoption to changing environment, increase in productivity, improvement in customer relation and elimination of job discrepancies.

It was clear from the study that the strategic human resource development practices affect employee performance in commercial banks in Kenya were Cost-benefit analysis of training programs, evaluation of the training programs, provision of opportunities to use and develop my skills, formal training program and training need analysis.

According to the regression equation established, taking all factors (employee productivity, employee motivation, competitive advantage and customer relations) constant at zero, the employee performance will be 3.374. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in employee motivation as a result of strategic human resource development will lead to a 0.853 increase in the employee performance in the commercial banks in Kenya. A unit increase in customer relations as a result of strategic human resource development will lead to a

0.205 increase in employee performance; a unit increase in competitive advantage as a result of strategic human resource development will lead to a 0.169 increase in employee performance in the commercial banks, while a unit increase in employee productivity as a result of strategic human resource development will lead to a 0.156 increase in employee performance at the institutions. This infers that employee motivation as a result of strategic human resource development contributes more to the employee performance in the banks followed by customer relations.

5.3 Conclusion

Based on the findings, the study concludes that there is a positive relationship between strategic human resource development and employee performance among commercial banks in Kenya. The companies are giving adequate and quality strategic human resource development to the employees. It is important for the company to come up with training programs improve performance of the organization, to improve efficiency and to reduce costs from incompetency.

The study further concludes that the employees receive timely information on training opportunities, they participate in staff performance appraisal. Training and development impact positively on enhancement of competitive advantage, increase in productivity, improvement in customer relation and elimination of job discrepancies.

The study finally concludes that the strategic human resource development practices affect employee performance in commercial banks in Kenya were Cost-benefit analysis of training programs, evaluation of the training programs, provision of opportunities to use and develop my skills, formal training program and training need analysis.

5.4 Recommendations

From the study findings, the study recommends that the commercial bank managers should ensure that there are training needs analysis in order to establish the needs of the employees. The training programmes should contain courses that are relevant to the banking sector.

The study also recommends that the training programs at the banks should support their mission and it should not be done on a relationship style. The administration should ensure that there is a clear Human resource policy and strategy devoid of tribalism and nepotism.

The banks should provide other instruction or training to the respondents (either on-the-job or a formal course) in order to perform their current job competently. The study further recommends that there should be continuous training and improved staff welfare, the banks should set up a strong training section to cater for in-house courses, there should be improved employee productivity from the HR to the staff on the available courses.

The banks should invest in manpower development and also motivate its staff to attend training, there should be provision/allocation of enough funds for training, the seminars and workshops should be organized more regularly for familiarization of the bank and there should be development and implementation of a comprehensive training policy.

5.5 Areas of Further Research

The study recommends that further research should be done on the link between strategic human resource development and employee performance among other companies other than commercial banks.

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APPENDICES

Appendix I: Letter of Introduction from the University



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE.....

TO WHOM IT MAY CONCERN

The bearer of this letter

Registration No.

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

Appendix II: Introductory Letter to the Respondents

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

REF: REQUEST TO CARRY OUT RESEARCH ON LINK BETWEEN STRATEGIC HUMAN RESOURCE DEVELOPMENT AND PERFORMANCE

I am a student at University of Nairobi pursuing a master's degree in business administration. As a requirement in fulfilment of this degree, I would wish to carry out a study on the link between strategic human resource development and performance. I have chosen your organization because it is one of the commercial banks in Kenya on which the case study is on.

This questionnaire seeks to collect information on the link between training and development and performance. Any information given shall be treated as confidential and will be used purely for the purpose of this research.

Your cooperation will be highly appreciated.

Yours

SHEILA MADAHANA
UON MBA Student

DR GATHUNGU
Supervisor

Appendix III: Questionnaire

PART A: DEMOGRAPHIC INFORMATION

1. Gender

Male Female

2. Age

25-29 years 30-34 years

35-39 years 40-44 years

Over 45 years

3. Length of continuous service in the organization

Less than 2 years 2-4 years

5-7 years Over 7 years

4. Level of education

Diploma Undergraduate degree

Postgraduate degree Others (specify)

5. What are your duties and responsibilities in your current position?

.....
.....

6. Does the organisation train and develop employees on their present qualification and job knowledge?

Yes No

7. What qualifications make you perform for your position?

.....

PART B: STRATEGIC HUMAN RESOURCE DEVELOPMENT

8. Is the company giving adequate and quality strategic human resource development to the employees?

Yes [] No []

9. Why is it important for your company to come up with training programs?

To improve efficiency []

To reduce costs from incompetency []

Improve performance of the organization []

It is the organizations culture []

a. Any other (please specify)

.....

10. Is there adequate relationship between employees training and their level of performance?

Yes [] No []

a. Please explain your answer

.....

11. What is the response of employees regarding the training programs prepared by the organization?

Positive [] Negative [] No effect []

12. Do you normally perform training needs assessment in your organization?

Yes [] No []

a. Please explain your answer

.....

13. How do you agree with the following? Use a scale of 1 to 5 where 1 is disagree and 5 is strongly agree.

	1	2	3	4	5
My employer gives me the opportunity for training					
I receive support for training from managers and supervisors					
My employer encourages me to seek educational and professional training opportunities					
I receive timely information on training opportunities					
I participate in staff performance appraisal					
I participate in training programs					
Employees are recognized and rewarded for training					
Promotions are based on one's efforts and training					
Training leads to effectiveness in employee performance.					

14. What impact does training and development have on the following?

	Positively	Negatively	Neutral
Elimination of Job Discrepancies			
Adoption to Changing Environment			
Increase in Productivity			
Employ Motivation			
Enhancement of Competitive Advantage			
Improvement in Customer Relation			

15. Does the following improve performance? Use a scale of 1 to 5 where 1 is disagree and 5 is strongly agree.

	1	2	3	4	5
Elimination of Job Discrepancies					
Adoption to Changing Environment					
Increase in Productivity					
Employ Motivation					
Enhancement of Competitive Advantage					
Improvement in Customer Relation					

16. To what extent do the following strategic human resource development practices affect employee performance in commercial banks in Kenya? use a scale of 1-5 where 1= no extent at all and 5 = very great extent

	1	2	3	4	5
Formal training program					
Training need analysis					
Cost-benefit analysis of training programs					
Evaluation of the training programs					
Provision of opportunities to use and develop my skills					

THANK YOU!!