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Training and Development Outsourcing Strategy and Operational Performance of Commercial Banks in Kenya

Authors

Caroline Cherotich [1]; Ronald Chepkilot [2]; Hellen Sang [3]

Main author's email: Carolynecmc@gmail.com

(1.2) Kabarak University, Kenya; (3) University of Kabianga, Kenya.

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Abstract

This study examines the relationship between recruitment outsourcing strategy and operational performance in commercial banks in Kenya. Over the past decade, the banking sector has experience considerable growth accompanied by intensifying competition and increasing pressure on commercial banks to enhance their operational performance, particularly in customer satisfaction, operational efficiency and competitiveness. In response, many banks have turned to training and development outsourcing, engaging external training providers to access specialised expertise and contemporary skills that may not be readily available internally. The study was anchored on Transaction Cost Economics, Resource-Based View, and Systems Theory. A cross-sectional research design was used to analyse and empirically test the relationship between the variables. The target population comprised 38,840 employees of the 38 licensed commercial banks headquartered in Nairobi and selected branches, from which a sample of 385 respondents was selected through stratified random sampling. Data were collected using structured questionnaires, which were piloted before the main data collection, and reliability was assessed using Cronbach's alpha, yielding a coefficient of 0.78. Analysis was carried out in SPSS version 25.0 using descriptive and inferential statistics: simple linear regression tested the relationship between training and development outsourcing strategy and operational performance. The findings revealed that training and development outsourcing strategy significantly and positively enhances the operational performance of commercial banks in Kenya ($\beta = 0.942$, $B = 0.908$, $p < .001$). The strategy explains 88.8 per cent of the variation in operational performance. The outsourcing of training and development therefore contributes to improving the operational efficiency of commercial banks by strengthening the workforce and resulting in improved operational performance.

Key terms: Commercial banks, operational performance, training and development outsourcing.

INTRODUCTION

The Kenyan banking sector has become increasingly competitive, with commercial banks vying against one another as well as against other financial institutions (Kungu, Desta & Ngui, 2014). Commercial banks grapple with a wide range of pressures affecting productivity, competition for customers, operational efficiency, labour relations, and staff turnover (Obiero, 2012; Giorgi et al., 2017).

Training and development are important for equipping employees with the necessary knowledge and skills to execute their responsibilities with efficiency. According to Garavan et al. (2021), training has a positive and significant association with organisational performance. The Kenya Bankers Association (KBA, 2024) recognises the growing demand for relevant and high-quality training in the banking sector, while the Central Bank of Kenya (CBK, 2024) emphasises continuous learning and capacity development in response to evolving industry needs. NCBA Group reported an average of 92.2 learning hours per employee in 2024, while KCB Group expanded structured learning programmes targeting thousands of employees (NCBA Group, 2025; KCB Group, 2026). Despite the efforts made toward learning and development, KBA reported that the industry's cost-to-income ratio stood at 61 per cent in 2024, reflecting a heightened need to manage operating costs more efficiently (KBA, 2025). Talent retention is also a persistent concern given the competition for skilled professionals, especially in fintech and risk management (Noe et al., 2021).

Training and development outsourcing in the commercial banking sector has grown in popularity as operations have become more complex and technology demands have risen. By contracting out selected HR functions, an in-house HR department can concentrate on the strategic, core activities that most directly drive growth, while gaining cost savings, efficiency, flexibility, scalability, and access to specialised HR expertise and advanced technologies that many organisations cannot maintain effectively on their own (Strohmeier, 2022; Kremic et al., 2006). Nteere (2009) found that outsourcing training and development led to savings in costs, improvement in employee capabilities and enhancement in the efficiency of business processes and customer services, thus contributing to operational efficiency.

The uptake of HR outsourcing has not, however, been without difficulties. Machua (2014), evaluating the main challenges associated with outsourcing in Kenyan commercial banks, identified resistance to change, unclear outsourcing objectives, poor communication with stakeholders, insufficient management support, and the absence of adequate supporting structures. Beyond outsourcing itself, and despite digital advances, commercial banks still face pressures arising from the economic landscape, the regulatory framework, technological change, and market competition, including regulatory compliance, financial inclusion, talent management, cyber security threats, and evolving customer expectations (Central Bank of Kenya, 2021; Deloitte, 2021).

Literature therefore provides evidence that outsourcing matters most to companies that cannot handle certain processes internally because of time, financial, or expertise constraints. By consolidating and centralising functions, outsourcing raises effectiveness and minimises risk; banks that insist on managing these functions in-house, by contrast, often end up with a tangled web of vertically organised silos, breeding duplication and complexity (Kerdpitak, 2020). This study therefore sought to examine the relationship between training and development outsourcing and operational performance.

The banking sector recognises the importance of outsourcing training and development to reduce operational costs, enhance efficiency and improve customer service. Evidence shows that commercial banks have extensively invested in training and development programmes. Kenya Bankers Association report that the banking industry's cost-to-income ratio stood at 61 per cent in 2024, reflecting a heightened need to manage operating costs more efficiently (KBA, 2025). While training and development promises enhanced capacity and service delivery, outsourcing training and development does not necessarily guarantee improved operational performance. The effectiveness of outsourced training may depend on the quality and relevance of training programmes, provider competence, alignment with organisation needs, and the extent to which acquired skills are

applied in the workplace. Consequently, banks may commit substantial resources to external training without achieving corresponding improvements in learning and growth productivity, customer service, internal processes, innovation and cost efficiency. Although CBK (2024) emphasises the importance of continuous capacity development, its report does not establish whether training and development outsourcing translates into improved operational performance in commercial banks. Similarly, KBA's emphasis on relevant and high-quality training does not establish the extent to which outsourced training contributes to operational efficiency. Furthermore, Nafula and Mucheni (2023) revealed a positive and statistically significant relationship between outsourced human resources services and the performance of commercial banks (r=0.295, p=0.13).

Although previous studies have examined human resource outsourcing as a comprehensive function, they have not isolated the specific contribution of training and development outsourcing. Consequently, limited empirical evidence exists on the relationship between training and development outsourcing and operational performance among commercial banks in Kenya. This study therefore seeks to examine the relationship between training and development outsourcing strategy and the operational performance of commercial banks in Kenya. The study is guided by the null hypothesis that there is no statistically significant relationship between training and development outsourcing strategy and the operational performance of commercial banks in Kenya.

The findings of the study are expected to be valuable to policymakers, commercial bank managers, scholars, as well as researchers. Policymakers and regulators from the banking sector will benefit from evidence on how training and development outsourcing can influence operational performance. Commercial bank boards, chief executive officers, human resource managers, and operations managers are expected to benefit from the findings by gaining insights on the individual contribution of training and development outsourcing to operational performance. The findings will support evidence-based decisions on selecting, implementing, and evaluating outsourcing strategies that enhance customer service, internal business processes, employee learning and growth, as well as overall effectiveness.

The findings are anticipated to also contribute to the existing body of knowledge in human resource management, strategic management, and organisational behaviour by providing empirical evidence on the relationship between training and development outsourcing strategy and operational performance within the Kenyan banking sector. The study is expected to provide a useful reference for researchers and scholars interested in human resource outsourcing and organisational performance.

The findings, conclusions, and recommendations will serve as a basis for future studies in the banking sector and other service–oriented organisations, especially in examining strategic human resource practices and the contextual factors that influence their performance.

LITERATURE REVIEW

Theoretical Literature Review

Transaction Cost Economics Theory

Transaction Cost Economics (TCE) theory addresses why firms exist, how they can best maximise profits, and how they should decide what to produce internally rather than source externally. It further proposes that the specific characteristics of a transaction determine whether a firm should make or buy a product or service. TCE rests on several key assumptions: bounded rationality, meaning people have limited rationality and can therefore write only incomplete contracts; opportunism, meaning people may act in their own interest at others' expense; imperfect information, since different actors hold different information sets; and the unpredictability of problems, including those that can arise during an exchange (Williamson, 1987).

The theory is directly relevant to outsourcing because firms must weigh both production and transaction costs in their decisions (Perunovic & Pedersen, 2007). The transaction cost perspective guides organisations in deciding whether to manage economic exchanges internally or externally. Production costs cover the direct costs, labour, and infrastructure involved in creating a product or service, while transaction costs cover the effort of selecting suppliers, negotiating prices, writing contracts, monitoring performance, and

evaluating the opportunities suppliers present (Williamson, 1987).TCE anchors this study because it gives organisations a framework for determining which processes to outsource and which to retain, and helps predict whether outsourcing will pay off financially, a view corroborated by Panda and Leepsa (2017). According to Geiger and Lee (2019), firms can benefit from HR outsourcing in employee-related outcomes such as turnover and productivity.

Resource-Based View Theory

The RBV argues that organisations gain competitive advantage by leveraging unique resources and capabilities that are Valuable, Rare, Inimitable, and Non-substitutable (VRIN). It also holds that sustainable competitive advantage arises when an organisation possesses a pool of human resources that is unique and cannot be replicated or replaced by competitors. Organisations should therefore evaluate their workforce continually to ensure they have the right people, with the right skills, in the right places (Barney et al., 2021). Much of any organisation's strength or weakness stems from the calibre of the people it employs and the quality of their working relationships; as Barney et al. (2021) put it, the heart of the resource-based perspective lies in identifying the most valuable resource and protecting it from imitation. Resources are the assets an organisation draws on to achieve its goals or excel at its critical success factors (Saqib & Rashid, 2013), encompassing economic, human, and technical resources, tangible assets, and other factors deemed valuable in light of a Strengths, Weaknesses, Opportunities, and Threats analysis (Bryson et al., 2007).

Resource-based theorists regard a firm as a distinct combination of assets and resources which, when deployed in unique ways, can generate competitive advantage. For a resource to hold that potential, it must satisfy the criteria of Value, Rarity, Inimitability, and Non-substitutability (VRIN); resources and capabilities are valuable when they enable an organisation to seize opportunities and blunt threats in its environment (Barney, 1991). The resource-based view also acknowledges that companies must continually nurture and adapt their resources and capabilities to respond to evolving market conditions (Barney, 1991).

Resource-Based View (RBV) Theory

The RBV thus underscores the significance of human resources in commercial banks for attaining competitive advantage, and hence the need to design and implement practices that motivate employees, sharpen their skills, and foster new competencies. The theory is further relevant in explaining how banks draw on the resources of vendor firms whose core competency is providing services and capabilities the bank lacks, advancing talent and technology development through collaboration with a range of vendors.

Systems Theory

Systems theory forms a foundation for understanding complex, interdependent phenomena across disciplines. It emphasises the application of systems principles across diverse disciplines. Open interaction with the environment enables a system to build capacity for growth and sustainability and to stave off deterioration, a concept known as entropy (Bertalanffy, 1968). Although systems theory has been used widely in organisational research, it has attracted criticism for its environmentally deterministic outlook, in which organisations are treated as biological entities following a life cycle of growth, maturity, and decline, a framing that may obscure opportunities for adaptation (Mosca et al., 2021).

The theory is nonetheless valuable to this study because it can be applied to diagnose problems affecting the efficiency and effectiveness of training and development outsourcing strategy and to prescribe appropriate solutions. Its strength lies in taking the organisational structure, processes, functions, and environment into account together; with a holistic view of a problem, senior management can identify issues and find new solutions (Karam et al., 2021). These actions are likely to support the improvement of operational performance

The theory supports this study as it frames HR outsourcing strategies as a subsystem within the larger banking system. Even when training and development processes are outsourced, they remain interconnected with the bank's processes as one system. A well-integrated system can allow banks to focus on their core competencies while drawing on the specialised expertise of external HR service

providers, thus leading to operational performance. Conversely, any misalignment or poor coordination between internal operations and outsourced functions can damage operational performance, producing inefficiencies, delays, or disruptions.

Empirical Literature Review

Training and Development Outsourcing and Operational Performance

Machogu et al. (2017) define training and development outsourcing as acquiring or imparting knowledge, skills, and competencies through external entities in order to strengthen employees' abilities and performance in areas that matter to the organisation. Growth in training and development outsourcing offers steady progress and well-organised delivery methods in an increasingly global marketplace. Companies have long outsourced the delivery of training and development, but the degree of outsourcing is now rising quickly, driven by the recognition that training and development lift organisational productivity and that external service providers can train larger numbers of people faster and more cost-effectively than internal staff.

Potnuru et al. (2021), studying the effect of organisational learning culture on the relationship between human resource development practices and organisational effectiveness in Indian firms, found that training and career development significantly influence employee competencies. Organisational learning culture significantly moderated the relationship between human resource development and employee competencies, and competencies in turn showed a strong positive relationship with employee-perceived organisational effectiveness.

Researchers have drawn on Transaction Cost Economics and the Resource-Based View, among other theories, to identify the factors thought to shape client satisfaction with external training vendors, finding that socially oriented trust and contractual specificity mediate this relationship (Çiçek & Ozer, 2011). Related research found that a majority of staff (71%) supported outsourcing training services to external vendors, citing the perceived benefits of improved organisational performance and the fresh perspectives brought by external trainers. The remaining 29 per cent opposed outsourcing, arguing that in-house training was more effective at improving employee engagement and reinforcing organisational performance; in their view, internal trainers, who understand the organisation's structure and culture well, play a crucial role in preserving the strengths of existing processes (Machogu et al., 2017).

Mwangi (2017), studying the impact of human resource outsourcing on organisational performance at Post Bank Kenya Limited, established a positive relationship between HR outsourcing and organisational performance ($r^2 = 0.935$). In particular, training had a positive effect on skill development ($r^2 = 0.606$), outsourcing influenced recruitment and organisational effectiveness ($r^2 = 0.360$), outsourcing payroll affected competitive advantage, and outsourcing human resource information systems enhanced efficiency ($r^2 = 0.440$). Training emerged as the most outsourced function, with a mean of 3.9 and a standard deviation of 1.170. The findings also corroborate other studies: respondents agreed that outsourced consultancy firms commanded a large pool of experts able to address their banks' varied training needs (mean 4.0, SD 1.085), that considerable skill transfer occurred from experienced consultants (mean 3.9, SD 1.204), and that the training programmes designed by the outsourced experts were properly tailored to the banks' needs and specific objectives (mean 3.9, SD 1.107).

Akinyi et al. (2022), analysing the impact of HR outsourcing on the effectiveness of the HR function in Nairobi, Kenya, established that training and development outsourcing and compensation outsourcing had significant positive effects on HR function effectiveness, whereas recruitment outsourcing had an insignificant effect. Vendor characteristics, moreover, moderated the relationship between recruitment outsourcing and HR function effectiveness ($\beta = .314$, $\rho < .05$), between training outsourcing and HR function effectiveness ($\beta = .550$, $\rho < .05$), and between compensation outsourcing and HR function effectiveness ($\beta = 0.419$, $\rho < .05$). The study concluded that training and development outsourcing and compensation outsourcing are vital HR outsourcing activities for improving the effectiveness of the HR function. Nafula and Mucheni (2023) revealed a positive and statistically significant relationship between outsourced human resources services and the performance of commercial

banks(r=0.295, p=0.13). Their study treated human resources outsourcing as a comprehensive function without isolating the contribution of training and development outsourcing; therefore, evidence for the specific relationship between training and development outsourcing and operational performance among commercial banks in Kenya remains limited.

Studies on Safaricom Limited have investigated the effect of training and development on employee performance (Jubek et al., 2019) using a descriptive research design and targeting 1,892 permanent employees, from whom 377 respondents were randomly selected. The study established that training needs assessment had a significant impact on employee performance, as the company regularly evaluated skill sets and provided training where deficiencies were found. Training methods and training content also significantly influenced employee performance, being aligned with the identified training needs and consistent with organisational policies and procedures. Employee development programmes likewise significantly influenced performance, supported by a well-structured orientation programme for new staff. Training and development outsourcing has gained prominence as organisations draw on external expertise to lift productivity and meet evolving employee needs; the approach fosters continuous learning, boosts performance, and optimises resources, though its effectiveness may vary with vendor characteristics.

Further empirical work reports that training and skill development improve service quality and employee engagement in commercial banks. A mixed-methods study of private commercial banks found that structured training and skill development interventions produced higher employee performance and better customer service outcomes (Abubakar, 2024). Research has established that training affects organisational performance both directly and indirectly, by improving employee and organisational capabilities (Anjum & Ali, 2018): It makes employees more productive and equips them with skills for current and future tasks, thereby raising motivation and commitment. Tahir and Saijad (2013) found that effective training systems are crucial to individual, group, and organisational performance, adding that staff development helps employees adapt to changing conditions and establishing a positive relationship between staff training and performance in Pakistan's banking sector. Research in the Ethiopian context has similarly noted that staff development improves performance and prepares employees for future roles (Berhanu, 2023).

Methodologically, the literature leans on quantitative and descriptive survey designs, with some mixed-methods studies linking training interventions to performance outcomes (Sal & Raja, 2016; Odhiambo, 2018). Analyses typically rely on cross-sectional, self-reported data and concentrate on immediate performance indicators or HR function effectiveness (Mwangi, 2017; Akinyi et al., 2022). While these methods yield insight into short-term outcomes, they rarely capture longitudinal effects such as sustained skill retention and long-term productivity. Studies also tend to examine single organisations or sectors, limiting generalizability across contexts (Machogu et al., 2017; Potnuru et al., 2021).

The literature reviewed here indicates that training and development outsourcing enhances employee competencies, productivity, and operational performance by providing access to specialised expertise, scalable training solutions, and cost efficiencies. Empirical evidence from diverse sectors shows that outsourced training improves skill development and service quality. Yet the strategy's effectiveness depends heavily on organisational learning culture, vendor capability, and governance mechanisms. While external training brings innovation and efficiency, overdependence on it may erode internal learning and cultural alignment unless the two are strategically unified. Training and development outsourcing therefore contributes to operational performance only when it is aligned with organisational goals and supported by effective oversight.

Conceptual Framework

The conceptual framework in Figure 1 sets out the relationships between training and development outsourcing strategy, the independent variable, and operational performance, the dependent variable.

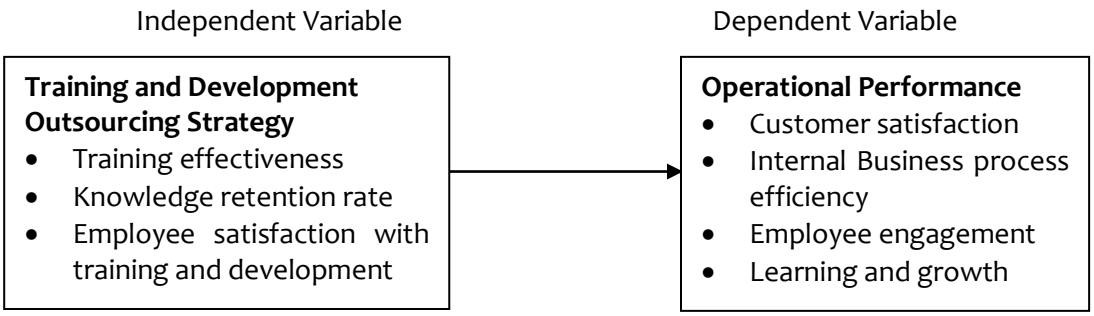

Figure 1: Conceptual Framework
Source: Author (2026)

Grounded in systems theory, the framework treats the variables as components that have an association with operational performance. This strategy aims to improve efficiency, service quality, and employee support by drawing on external expertise. Operational performance, the dependent variable, is assessed through customer satisfaction, internal business process efficiency, employee engagement, and learning and growth; these outcomes reflect how effectively the training and development support service delivery, staff engagement, process efficiency, and continuous improvement. The framework provides the foundation for examining this relationship between human resource outsourcing strategy and operational performance of commercial banks.

METHODOLOGY

A cross-sectional survey research design was utilised as it is appropriate and widely accepted for a study focused on the relationships among variables at a specific point in time (Saunders et al., 2019). The researcher collected data from a sample of staff at a commercial bank's headquarters, making it possible to assess the state of the study variables and analyse the relationships among them in their natural organisational setting. The design suited the study's aim of establishing associations among variables rather than examining change over time, and it allowed data to be gathered within a relatively short period. Cross-sectional surveys also support the descriptive and inferential statistical analysis required for hypothesis testing. Data were collected from staff at the headquarters of the selected commercial banks using structured questionnaires, ensuring consistency of responses, and the descriptive approach further enabled the researcher to describe existing practices in training and development and operational performance. Cross-sectional descriptive surveys are widely used in social science research because they provide a reliable basis for describing phenomena and examining relationships among variables (Creswell & Creswell, 2018; Lavrakas, 2008).

The target population consisted of the 38 licensed commercial banks in Kenya (Central Bank of Kenya, 2024), and the respondents comprised middle-management staff, supervisory staff, and operational staff. The composition of the respondents ensured a well-rounded representation of strategic and operational perspectives across the banking sector. The study was conducted at the headquarters and selected branches of the 38 licensed commercial banks in Kenya. The researcher sampled 385 employees using a sample size formula for small and medium-sized populations. The finite-population formula derived from Cochran's sample size formula was employed to determine the appropriate sample size:

$$n = \frac{N.\ Z^2.\ p.\ (1-p)}{\mathcal{E}^2.(N-1) + Z^2.p.(1-p)}$$

Where:
N= 38,840 (the total population)
Z= 1.96Z = 1.96 (for a 95% confidence level)
p= 0.5 (the proportion that maximises the sample size)
E= 0.05 (the margin of error)
n= 385 employees (Sample size)
The 385 respondents were distributed as indicated in Table 2.
Sample Distribution

The sample of 385 respondents comprised middle management, supervisory, and operational staff, distributed as indicated in Table 1 below.

Table 1: Sample Distribution

Category	Frequency	Sampling Ratio	Sample Size
Middle Management Level	12,407	0.3194	123
Supervisory Level	9,025	0.2324	89
Operational Level	17,408	0.4482	173
Total	38,840	1	385

The data were collected using a structured questionnaire comprising open- and closed-ended questions with a 1-5 rating scale for ease of analysis, and comprising five sections, each corresponding to one of the study's objectives. Stratified random sampling was used to select the study sample, ensuring proportional representation from the different strata within the population and minimising bias by capturing the perspectives of every key management level involved in human resource outsourcing and operational performance. This approach ensures that the chosen sample mirrors the group distributions that exist within the population (Mugenda & Mugenda, 2008).

A pilot test is conducted to detect weaknesses in design and instrumentation, to provide proxy data for selecting a probability sample, and to establish the accuracy and appropriateness of the research design and instruments (Cooper & Schindler, 2013; Becker et al., 2012). The participants, as well as the pilot results, were excluded from the main study. According to Yevale (2016), a pilot sample should be 10 per cent of the sample projected for the main study. The recommendations arising from the pilot were used to refine the instrument and ensure it accurately measured the intended constructs.

The study variables were tested for reliability by computing Cronbach's alpha, which yielded a coefficient of 0.78. According to Bajpai (2011, this is within the acceptable range of 0.7 to 0.9, indicating acceptable reliability. To assess the validity of the instrument and of the operational constructs identified through the literature review, content validity was applied. Content validity was used to gauge how well the test items represent the domain, or universe, of the trait being measured. Feedback from human resource experts, supervisors, and practitioners was obtained to ensure the questionnaire measured what the study set out to measure.

Data analysis applied descriptive statistics and inferential statistics. Descriptive statistics, including mean, standard deviation and percentages, were used to summarise responses. Pearson's product-moment correlation was used to determine the strength and direction of the relationship between training and development outsourcing strategy and operational performance, while simple linear regression was used to establish the extent to which human training and development outsourcing strategy predicts operational performance. The statistical package for the social sciences (SPSS) software, version 23.0, was used for analysis, and the results were presented in tables. The data were subjected to supervisor and peer review to enhance the credibility of the analysis (Nowell et al., 2017). Linear regression analysis was employed to investigate the extent to which training and development outsourcing strategy predicts operational performance. The study hypothesis was tested using the p-value approach at a 95 per cent confidence level.

The simple linear regression model used was expressed as $Y= \beta_0 + \beta_1 X_1 + \varepsilon$, where operational performance was regressed against training and development outsourcing strategy. Analysis of Variance (ANOVA) was used to test the model's statistical significance. Ethical principles were applied during the study, including voluntary participation, informed consent, confidentiality and approval by the Kabarak University Research Ethics Committee (KUREC) and the National Commission for Science, Technology & Innovation (NACOSTI).

FINDINGS AND DISCUSSION

This section presents the study's key findings based on data collected from commercial banks in Kenya. The results include both descriptive and inferential statistics. Descriptive findings highlight respondents' distribution of responses to training and development outsourcing strategy and operational performance, while regression analysis examines the strength of the relationship between variables. The results were presented in tables along with brief interpretations to support clear understanding and connection with the study objectives.

Response Rate

Out of the 385 questionnaires administered, 380 were duly completed and returned, a response rate of 98.7 per cent, which was more than sufficient for statistical analysis and for drawing conclusions generalizable to the broader population. According to Mugenda and Mugenda (2003), a response rate of 50 per cent or higher is generally acceptable in social science research, while rates above 70 per cent are considered excellent.

Descriptive Statistics for Training and Development Outsourcing Strategy

This section presents the descriptive analysis of training and development outsourcing. The analysis addresses the study objectives on the relationship of this strategy to operational performance by establishing how extensively it is implemented within the banking sector. Understanding this practice lays the foundation for the inferential analysis that follows and helps to contextualise how the different dimensions of outsourcing contribute to organisational operations.

Table 2 summarises respondents' perception of the extent to which commercial banks in Kenya have embraced training and development outsourcing on a five-point Likert scale ranging from not at all to a very great extent.

Table 2: Training and Development Outsourcing Strategy Extent of Outsourcing

Human Outsourcing Strategies	Not at All	To a small extent	Moderate extent	Great extent	Very great extent
Training and development	25 (7%)	59 (16%)	37 (10%)	122 (32%)	137 (36%)

The results in Table 2 indicate that most commercial banks in Kenya have embraced Training and development outsourcing to a considerable extent, particularly in operational functions that drive efficiency and performance. Training and development is widely outsourced, with 68 per cent of respondents indicating that their banks rely heavily on outside training providers. This shows that banks recognise the importance of continually developing employee competencies while staying compliant with regulation, both vital to strong operating performance. Outsourced training gives banks access to up-to-date knowledge, modern training methods, and specialists they lack in-house. Still, 23 per cent of respondents said their banks do not outsource training, or do so only minimally, which suggests a group of organisations that have invested in internal training units capable of delivering the necessary capacity-building programmes. This strategic heterogeneity reflects structural differences among organisations, such as size, the resources available to them, and the strategic orientation of their learning and development functions.

This pattern suggests that Kenyan commercial banks are using training and development outsourcing strategically to strengthen operational performance: improving efficiency, ensuring compliance, and freeing internal resources for core banking activities. It demonstrates that outsourcing is seen as an enabler of operational improvement, and banks continue to weigh its benefits against concerns over control, confidentiality, and cost. These findings are supported by Gituma (2019), who observes that organisations commonly transfer a range of HRM functions to external providers, including recruitment, training, performance evaluation, payroll management, workers' compensation, benefits administration, retirement plan management, conflict resolution,

safety inspections, record keeping, and legal compliance.

As Lacity and Willcocks (2021)and Lahiri (2021) affirm, outsourcing is thus confirmed as a fundamental principle of the modern approach to understanding and optimising relationships among organisations.

Training and Development Outsourcing Strategy

Outsourcing training and development has become increasingly important for commercial banks seeking to build employee capability while accessing specialised expertise. This study examines the extent to which banks rely on external providers to design and deliver training programmes, illuminating how such practices contribute to skills development, employee performance, and overall operational effectiveness. Table 3 presents respondents' ratings on various aspects of training and development outsourcing on a five-point Likert scale, where SD = Strongly Disagree, D = Disagree, U = Undecided, A = Agree, and SA = Strongly Agree.

Table 3: Training and Development Outsourcing Strategy

	SD	D	U	A	SA	Mean	SD
The bank outsources training and development to specialized vendors.	40 (11%)	41 (11%)	40 (11%)	132 (35%)	127 (33%)	3.70	1.32
The outsourced training and development programmes are customized to meet the organization's specific needs.	21 (6%)	49 (13%)	30 (8%)	130 (34%)	150 (39%)	3.89	1.22
Outsourcing has resulted in improved effectiveness of the bank's training and development program.	44 (12%)	51 (13%)	32 (8%)	112 (29%)	141 (37%)	3.67	1.39
Outsourced training and development has led to adoption of new technologies in the bank.	41 (11%)	39 (10%)	32 (8%)	138 (36%)	130 (34%)	3.73	1.32
Training outsourcing strategy has improved employee skills and competencies.	32 (8%)	52 (14%)	39 (10%)	126 (33%)	131 (34%)	3.72	1.29
I am satisfied with the relevance and quality of training programmes provided through outsourcing.	41 (11%)	56 (15%)	39 (10%)	107 (28%)	137 (36%)	3.64	1.38
Outsourced training has led to positive behavioural changes in how I approach my responsibilities.	23 (6%)	41 (11%)	36 (9%)	147 (39%)	133 (35%)	3.86	1.19

The findings reveal that most banks rely on external providers to deliver training and development programmes, underscoring the role of outsourcing in strengthening employee capacity. About 68 per cent of respondents agreed or strongly agreed that their banks outsource training and development to specialised vendors (mean 3.70, SD 1.32), suggesting that outsourcing is a common route to expert trainers, standardised content, and industry-specific skills. This reliance likely reflects the sector's need to stay agile and compliant in a rapidly evolving regulatory and technological environment. However, 22 per cent of respondents disagreed or strongly disagreed and 11 per cent were undecided, indicating that some banks still prefer to run most training internally, perhaps to keep control over content, protect institutional knowledge, or reduce costs.

The perceived quality of outsourced programmes was also positive: 73 per cent of respondents agreed or strongly agreed that outsourced training and development programmes are customised to their

organisation's specific needs (mean 3.89, SD 1.22). Most banks evidently work closely with training vendors to align learning outcomes with strategic goals, ensuring that external programmes address both the technical and behavioural competencies relevant to banking. However, 19 per cent of respondents disagreed, which may suggest that some vendors fail to tailor their training to the unique culture or operational realities of individual banks. Outsourcing also appears to be lifting training effectiveness. Approximately 66 per cent of respondents agreed or strongly agreed that outsourcing improved the effectiveness of their banks' training and development programmes (mean 3.67, SD 1.39), suggesting that working directly with specialised providers helps banks achieve better training outcomes, thanks to deeper expertise, better techniques, and access to the latest digital learning platforms. Nevertheless, 25 per cent of respondents disagreed or strongly disagreed, pointing to variation across institutions in the quality and consistency of outsourced training, depending on how vendors and service providers were selected and managed.

The introduction of new technologies through outsourced training was another significant finding: 70 per cent of participants agreed or strongly agreed that outsourcing has helped introduce new technologies into their banks (mean 3.73, SD 1.32). External training providers evidently lean on digital tools, simulations, and e-learning platforms that support innovation and more efficient learning. Nevertheless, 21 per cent of respondents disagreed, implying that in some institutions the effect of outsourcing on technological progress is negligible or uneven. Similarly, 67 per cent of participants agreed or strongly agreed that outsourced training improved employee skills and competencies (mean 3.72, SD 1.29), underlining the value of outsourcing in helping employees sharpen the technical and soft skills they need in everyday banking operations. Again, while outsourced training is widely reported as a capacity-building opportunity, 22 per cent of participants disagreed, suggesting that the overall benefit still depends on contextualising training content to each bank's environment and reinforcing it through on-the-job application.

Respondents were also fairly satisfied with the quality and relevance of outsourced training, with 64 per cent agreeing or strongly agreeing (mean 3.64, SD 1.38); most employees see externally delivered training as meaningful and aligned with their professional development needs. However, 26 per cent expressed dissatisfaction, which may reflect inconsistencies in content quality, delivery methods, or follow-up evaluation. Finally, 74 per cent of respondents agreed or strongly agreed that outsourced training has led to positive behavioural changes in how they approach their responsibilities (mean 3.86, SD 1.19), indicating that outsourcing builds not only technical competence but also workplace behaviour and attitudes, feeding into better individual and team performance. A smaller segment (17%) disagreed, implying that the behavioural impact of outsourcing is not felt uniformly across all banks. Overall, the findings suggest that outsourced training and development is generally seen as beneficial for building employee capability and driving performance improvement, though its effectiveness varies with programme customisation, vendor quality, and alignment with organisational goals. These results align with the empirical evidence of Akinyi et al. (2022), whose analysis of the impact of HR outsourcing on the effectiveness of the HR function in Nairobi, Kenya, established that training and development outsourcing and compensation outsourcing had significant positive effects on HR function effectiveness.

Inferential Statistics

Beyond the descriptive analysis, inferential statistical techniques were employed to examine the relationships among the study variables and to test the stated hypotheses. This stage of the analysis offers a more rigorous assessment of the relationship between training and development outsourcing strategy and operational performance. Specifically, regression models were used to determine the direction, strength, and statistical significance of the relationships among the variables; the results presented in the following tables form the basis for hypothesis testing and allow the study to draw evidence-based conclusions in line with its objectives.

Correlation Analysis

Before developing a multivariate regression model, bivariate correlation analysis was conducted to examine the fundamental relationships between the variables and to assess potential multicollinearity. This

preliminary analysis identifies the strength and direction of the linear relationships between individual variables, providing essential context for interpreting the more complex regression results that follow.

Table 4: Correlation Analysis

Variables	Operational Performance	Training & Development Outsourcing Strategy
Operational Performance	1	0.759*
Training & Development Outsourcing Strategy	0.759*	1

** p<0.001*

The correlation matrix reveals that training and development outsourcing strategy shows a strong, positive relationship with operational performance ($r = 0.759$, $p < 0.001$). These results confirm that training and development likely contribute unique explanatory power to the operational performance model.

Hypothesis (H_0): There is no statistically significant relationship between training and development outsourcing strategy and operational performance of commercial banks in Kenya

Training and development outsourcing refers to delegating structured capacity-building programmes, including technical skills training, leadership development, and professional growth initiatives, to external service providers. In a banking sector where the pace of regulatory change, technological advancement, and evolving customer expectations demands a continuously skilled workforce, outsourcing training to specialised providers has emerged as a strategic route to competitive human capital. This hypothesis sought to establish whether the training and development outsourcing strategy has a statistically significant relationship with the operational performance of commercial banks in Kenya. A simple linear regression was conducted with training and development outsourcing strategy as the independent variable and operational performance as the dependent variable; the results appear in the Model Summary, ANOVA, and Coefficients tables below.

Table 5: Hypothesis H_0 Model Summary for Training and Development Outsourcing Strategy on Operational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.942[a]	.888	.887	.337	1.899

The Model Summary reveals a strong positive relationship between training and development outsourcing strategy and operational performance.

The R value of 0.942 indicates a high degree of correlation between the two variables, and the R Square of 0.888 suggest that training and development outsourcing accounts for approximately 88.8 per cent of the variance in operational performance. The Adjusted R Square of 0.887 is virtually identical, confirming that the model generalises well and is not overfitted. A high level of explanatory power, which may be influenced by other factors such as the common method effect, warrants careful interpretation of the findings. The standard error of the estimate of 0.337 points to a relatively low margin of prediction error, attesting to the model's reliability, while the Durbin-Watson statistic of 1.899 falls within the acceptable range of 1.5 to 2.5, confirming the independence of the residuals and the absence of significant autocorrelation, and thereby satisfying a key assumption of linear regression.

Table 6: Hypothesis H_o Model ANOVA for Training and Development Outsourcing Strategy on Operational Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	338.749	1	338.749	2989.630	.000[b]
	Residual	42.830	378	.113		
	Total	381.579	379			

The ANOVA table confirms the overall statistical significance of the regression model. The regression sum of squares of 338.749 is substantially larger than the residual sum of squares of 42.830, showing that the model explains a dominant share of the total variance in operational performance. The F-statistic of 2989.630, significant at $p < .001$, offers compelling evidence that the model is statistically significant and that training and development outsourcing strategy is a robust predictor of operational performance; the magnitude of the F-value reinforces the strength of this relationship and confirms that the explained variance is not attributable to chance.

Table 7: Hypothesis H_o Model Coefficients for Training and Development Outsourcing Strategy on Operational Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.366	.065		5.671	.000
	Training Outsourcing	.908	.017	.942	54.678	.000

The Coefficients table details the specific parameter estimates of the regression model. The constant of 0.366 ($p < .001$) is the predicted baseline level of operational performance in the absence of training and development outsourcing. The unstandardized coefficient (B) for training and development outsourcing strategy is 0.908 ($p < .001$), meaning a one-unit increase in training outsourcing is associated with a 0.908-unit increase in operational performance, a near-unit effect underscoring the substantial practical significance of investing in outsourced training. The standardised coefficient (Beta) of 0.942 is consistent with the high R value in the Model Summary, confirming training and development outsourcing as a dominant predictor of operational performance in this model, while the t-value of 54.678, significant at $p < .001$, provides conclusive evidence that the coefficient is statistically distinguishable from zero, affirming the reliability of the estimate.

Based on these results, the null hypothesis H_{01}, that there is no statistically significant relationship between training and development outsourcing strategy and the operational performance of commercial banks in Kenya, is rejected. The simple linear regression demonstrates that training and development outsourcing has a strong, positive, and statistically significant association with operational performance ($\beta = 0.942$, $B = 0.908$, $t = 54.678$, $p < .001$), accounting for 88.8 per cent of the variance in operational performance. These findings affirm that commercial banks partnering with specialised external training providers benefit from higher-quality, more relevant, and more current learning programmes, which in turn strengthen employee competencies, adaptability, and service delivery. This is consistent with Sal and Raja (2016), who hold that training and development play a significant role in employee performance and overall organisational success, and aligns with empirical evidence that structured outsourced training interventions produce improved employee performance and better customer service outcomes.

Summary of Findings

The study set out to examine the relationship between training and development outsourcing and operational performance. To achieve this objective, simple linear regression was applied, with training and development outsourcing strategy regressed against operational performance. The findings of the

inferential analysis, together with the descriptive analysis, form the basis of the following conclusions and recommendations.

The study further established that training and development outsourcing strategy demonstrates a strong, positive, and statistically significant relationship with the operational performance of commercial banks in Kenya. The simple linear regression recorded an R-squared of 0.888, indicating that training and development outsourcing accounts for 88.8 per cent of the variance in operational performance. The ANOVA results confirmed that the model was statistically significant ($F = 2989.630$, $p < .001$), while the unstandardized coefficient of 0.908 ($\beta = .942$, $t = 54.678$, $p < .001$) confirmed that a unit increase in training and development outsourcing is associated with a near-equivalent improvement in operational performance, thus affirming the strong and statistically significant nature of this relationship. was supported or rejected. Acknowledge limitations under a separate sub-heading.

CONCLUSION AND RECOMMENDATIONS

Conclusion: These findings affirm that commercial banks which partner with specialised external training providers can deliver higher-quality, more relevant, and more current learning programmes to their workforce. Outsourced training gives banks access to expertise, advanced instructional methods, and digital learning platforms that may not exist internally, strengthening employee competencies, adaptability, and responsiveness to regulatory and technological change. The improvement in employee capability that flows from effective outsourced training translates directly into better service delivery, more efficient internal processes, and greater customer satisfaction, all of which lift operational performance.

These conclusions align with Sal and Raja (2016), who hold that training and development play a significant role in employee performance and overall organisational success, and are corroborated by empirical evidence that structured outsourced training interventions lead to higher employee performance and better customer service outcomes (Evaluating the Impact of Training and Skill Development, 2024). The descriptive findings also support this conclusion: 74 per cent of respondents agreed that outsourced training led to positive behavioural changes in how they approach their responsibilities, and 73 per cent affirmed that outsourced programmes are customised to their institution's specific needs.

Recommendations: In light of the study findings, the following recommendations are proposed for commercial banks, HR practitioners, and policy stakeholders. Banks should treat training and development outsourcing as a strategic investment rather than an operational cost. Outsourcing partnerships should be directed to specialised providers offering programmes tailored to the regulatory, technological, and customer service demands peculiar to banking. Banks should prioritise vendors with strong customisation capability, familiarity with the financial services landscape, and the capacity to deliver training through modern digital and experiential learning methods. Systematic evaluation of training outcomes, covering skill acquisition, behavioural change, and operational impact, should be embedded in every outsourcing contract, so that investment in training yields measurable improvement in employee performance and service delivery.

Banks should also explore blended learning models that pair outsourced expertise with internal mentorship and knowledge transfer mechanisms, ensuring continuity and keeping learning grounded in context. Additionally, the Central Bank of Kenya and the Kenya Bankers Association should consider developing sectoral guidelines and minimum standards for HR outsourcing in commercial banking, addressing quality assurance, ethical compliance, data protection and confidentiality, employee welfare, and performance accountability in outsourcing arrangements.

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