

Original Article

The Effect of Career Development on Employee Performance in the Banking Sector in Kenya

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Abstract: *The study examines the career development-employee performance relationship in Kenya's Tier 1 commercial banks, utilizing Homans' (1948) Social Exchange Theory as a foundational framework. A descriptive research design was used to collect data from 164 banking employees through structured questionnaires, which were then analyzed using SPSS. The findings revealed that career development is significantly and positively linked to employee performance, with training programs and promotion systems being the most effective career development factors for performance enhancement. Further, employee engagement and productivity increase with structured training and clear promotion opportunities, suggesting Kenya's Tier 1 banks should prioritize training and transparent promotion frameworks for performance and career growth. The study suggests that banks should establish structured career paths, improve mentorship programs, and align training with organizational goals to boost employee productivity. Ultimately, the study enhances the theoretical understanding of human capital development and practical HR strategies in the financial sector.*

Keywords: *Career Development, Employee Performance, Banking Sector, Resource-Based View, Kenya.*

I. INTRODUCTION

The Kenyan banking sector, a vital economic pillar, contributes about 6.4% to the national GDP (CBK, 2023). However, the industry faces increased competition, evolving regulations, and rapid technological advancements, necessitating a skilled and adaptable workforce. Further, employee performance is not just a determinant of individual success but also a crucial factor in maintaining a bank's competitive edge and long-term sustainability in a dynamic environment. Previous studies on career development in various sectors highlight a significant research gap in Kenya's banking industry, especially within Tier 1 commercial banks (Muthumbi & Kamau, 2021; Mark & Nzulwa, 2018). These banks, controlling 65% of the banking sector's assets, significantly influence industry standards and workforce development. In view of their strategic position, analyzing career development initiatives like structured training, mentorship, and promotion systems is crucial as they directly impact employee performance, affecting organizational success and industry growth. The study investigates the influence of career development on employee performance in Tier 1 banks, examining the correlation between human capital investment, productivity, engagement, and institutional competitiveness. This research aims to guide policy decisions, HR strategies, and industry best practices, ultimately fostering a more skilled and motivated workforce in Kenya's banking sector.

II. LITERATURE REVIEW

Social Exchange Theory, instituted by Homans (1958) and polished by Blau (1964), suggests that workplace associations are based on reciprocity, where employees balance rewards like salary and career growth against effort costs. Consequently, employee engagement increases when they perceive fair and positive exchanges; however, opponents like Cohen-Charash and Spector (2001) contend that SET oversimplifies workplace dynamics by assuming employees always act rationally. Equally, Deci and Ryan's (1985) Self-Determination Theory (SDT) emphasizes intrinsic motivation by identifying three fundamental psychological needs: employee engagement and performance are enhanced when employees feel empowered, develop relevant skills, and have strong workplace relationships. On the other hand, SDT has been critiqued for overemphasizing intrinsic motivation and underestimating the significance of extrinsic rewards like promotions and financial incentives (Gagné & Deci, 2005; Amabile, 1993). Likewise, the Goal-Setting Theory, developed by Locke (1968) and advanced by Latham (2002), suggests that employees show increased motivation and productivity when given ambitious goals and regular feedback. However, critics like Drucker (2007) and Bedeian (1993) warn that setting ambitious goals can lead to stress, burnout, and unethical behavior. Despite these critiques, SET, SDT, and GST are essential theories for understanding employee engagement and performance in Kenya's Tier 1 banks, highlighting how career development, motivation, and goal-setting influence workplace outcomes.

Research from various organizational contexts confirms that career development initiatives significantly enhance employee performance, with Firman & Inrawati (2023) study on structured career paths in Indonesian hospitality firms resulting



in a 23% productivity increase, while Delbari, Rajaipour & Abedini (2021) ascertained that career development programs improved self-regulation and performance among Iranian university staff. Dialoke and Adighije (2018) observed significant performance improvements among Nigerian university staff in career management programs. Similarly, Muthumbi and Kamau's (2021) study on Deloitte Kenya found that employees participating in structured career development programs experienced an 18% efficiency increase. The findings from a cross-continental study provide three crucial insights: firstly, performance gains are most effective when career development is institutionalized through formal policies and regular assessments; additionally, cultural adaptation is crucial, with mentorship-driven approaches being more effective in African and Asian contexts than Western models that prioritize individual autonomy; and finally, effective programs enhance task efficiency, team dynamics, and organizational outcomes like retention rates, underscoring the universal importance of career development across diverse industries and cultural settings, emphasizing the need for context-specific implementation strategies.

III. METHODOLOGY

The study used a descriptive cross-sectional design to investigate the relationship between career development and employee performance among 280 employees from nine Tier 1 commercial banks in Kenya. Further, the study utilized stratified random sampling to select 164 respondents, determining the sample size using Slovin's formula with a 95% confidence level and $\pm 5\%$ margin of error. The study utilized a 5-point Likert scale to assess employee perceptions of organizational development factors, including training, counseling, mentorship, and advancement systems, and processed data using SPSS software. It also revealed that employees strongly agree on the significance of career development, with high scores for training programs, career counseling, mentorship, and promotion systems. Further, it exhibited significant positive correlations between career development initiatives, training programs, and mentorship opportunities, indicating enhanced employee performance, improved operational efficiency, and accelerated skill development. The regression model explained 69.9% of performance variance, with career development being the strongest predictor.

IV. CONCLUSION

The study confirms that career development significantly enhances employee performance in Kenya's banking sector, which aligns with SET, SDT, and GST regulations. Employees thrive in organizations that invest in growth, with training and promotions having a strong impact. The study suggests that banks should establish structured career paths based on performance metrics, formal mentorship programs for junior staff, and prioritize continuous learning through regular training on emerging banking technologies and soft skills. Additionally, banks should implement performance-based promotion systems with transparent criteria to encourage career growth. However, the study primarily focused on Tier 1 banks, suggesting future research should include smaller banks or conduct longitudinal studies to assess the long-term impact of career development on employee performance.

Appendices 1: Career Development

On a scale of 1 - 5, Please rate how much you agree or disagree with the following statement about the impact of career development on employee performance in the Kenyan banking sector, where 1 = Not Sure, 2 = Strongly Disagree, 3 = Disagree, 4 = Agree, 5 = Strongly Agree.

Statement		1	2	3	4	5
1.	The organization provides training programs to enhance its performance.					
2.	The career counseling service is instrumental in guiding bank employees through their career journey.					
3.	Mentorship has provided employees with career growth tips and fostered connections with other professionals.					
4.	Training-based promotions are expected to boost employee morale and efficiency compared to those who do not receive such training.					

5.	The organization has established guidelines for teaching staff about their future careers within the organization.					
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What is your opinion on the career support provided by the organization?

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How has your career changed since you joined this bank?

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Appendix 2: Employee Performance

On a scale of 1 - 5, Please rate how much you agree or disagree with the following statement about employee performance in Kenya's banking sector, where 1 = Not Sure, 2 = Strongly Disagree, 3 = Disagree, 4 = Agree, 5 = Strongly Agree.

Statement		1	2	3	4	5
11.	The bank staff's productivity is exceptional.					
22.	The organization's strategic plan serves as my primary guideline.					
23.	The bank has a well-defined plan for managing employee performance.					
24.	The bank excels in delivering its services efficiently.					
25.	The banks have set realistic performance targets.					

Do you think the bank has adequate measures to enhance employee performance?

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Do you think individual employee performance is a yardstick measure of overall organizational performance?

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Interest Conflicts

I assert that there is no conflict of interest in the publication of this paper.

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