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FACTORS INFLUENCING KNOWLEDGE MANAGEMENT PRACTICES IN FINANCIAL INSTITUTIONS A SURVEY OF SACCOS IN MERU COUNTY, KENYA

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Abstract:-

In the fast changing business environment, knowledge has become the mainstay of every organization in creating and sustaining competitive differentiation. This study investigates factors influencing knowledge management practices in financial institutions in Meru County. Business enterprises operate in environments characterized by increased need for knowledge to create and sustain competitive advantages. Organizations therefore, need to be cognizant of the factors that influence the success of knowledge management initiatives. There is increasing need for knowledge management as a strategy for creating and sustaining competitiveness. In order for financial institutions such as Sacco's to succeed in highly dynamic business environment, it is critical that they embrace knowledge management practices in their operations. This study used a descriptive survey design. The target population was 44 human resource managers of the 44 SACCOs in Meru County which have been in existence for over two years in the year 2014. The study used census study methodology. The study used both primary and secondary data. Descriptive statistics was used to analyze the data. Logistic regression was used to link the relationship between independent variables and dependent variable and to test the hypothesis.

Descriptive data was presented in form of frequency tables, pie charts and percentages. The study concluded that knowledge management practices were significantly associated with successful performance. These findings provide some meaningful implications for practitioners and researchers that are interesting in knowledge management system design. The researcher recommends that: Management should understand the importance of knowledge management as a strategic asset which gives organizations sustainable competitive advantage.

Key words:-*Knowledge, Management, Practices, Financial Institutions*

INTRODUCTION

In the fast changing business environment, knowledge has become the mainstay of every organization in creating and sustaining competitive differentiation. Many organizations are struggling to meet or keep up with the demands of their clients, competitors, investors and regulators. Business executives are realizing that knowledge is the organization's most important asset and that its quality and availability can help them to face the demands and challenges of the information age and the knowledge economy.

There are a few studies in Kenya (Maingi, 2007; Mosoti and Mesheka, 2010; Ogare and Othieno 2010) dealing with knowledge management. However, none of them directly addresses the subject of knowledge management practices in the financial institutions in Kenya. This study therefore aimed at investigating factors influencing knowledge management practices in financial institutions and specifically, the influence of leadership style on knowledge management practices and the influence of training on knowledge management practices.

Overview of Saccos-

Robbins et al. (2001) in their assessment of organization behavior indicated that leaders can be categorized as being transactional or transformational. The former refers to leaders who guide and motivate subordinates in the direction of established goals by clarifying role and task requirements (Robbins et al., 2001). According to Crawford (2003), in her study on exploring the relationship between knowledge management and transformational leadership found that transformational leadership is strongly correlated to knowledge management. According to Townley (2001) in his research on knowledge management and academic libraries stated that training and support for the adoption of new knowledge and behaviors are perhaps the most important and costly part of any knowledge management application. Advocating the need for training need, Lee (2005) emphasizes that as a learning organization, libraries should be allocated annual funding to provide continuing education and staff training to all staff members. Knowledge must be renewed and expanded to prevent it from becoming stagnant. Skills development of staff was considered the first and foremost to create knowledge management culture in academic libraries in Nigeria (Ugwu and Ifeanyi, 2010). Thus, training is vital and staffs need to be trained in each aspect of knowledge management, that is, knowledge capturing, storing, retrieval and dissemination and formulation of knowledge strategy. In today's changing world organizations need to be knowledgeable enough in order to cope with the rapid changes and strong competitive environments (Daneshgar and Parirokh, 2007).

Verma (2009) in his review of business process management established that things that are rewarded get accomplished and behavior that are rewarded are repeated. It follows therefore that employee rewards should be aligned to the knowledge management efforts. The time needed to collaborate with others has to be recognized and rewarded (O'Dell and Hubert, 2011). Therefore, one of the factors of knowledge management is to develop the right incentives to encourage employees to share and contribute to the knowledge base.

Methodology Used

Descriptive survey design was used since it provides insights into the research problem by describing the variables of interest. It was used for defining, estimating, predicting and examining associative relationships.

The target population was the 44 human resource managers of the 44 SACCOs in Meru County which have been in existence for over two years in the year 2014

The study used census study methodology which enabled the researcher to gather more information to assist in analysis and arriving at accurate results.

The study utilized both primary and secondary sources of data. Primary data was collected using a questionnaire. Secondary data was obtained from the knowledge management, human resource management and SACCOs Journals.

The Empirical Model

Descriptive statistics was used to analyze the data. Logistic regression was used to correlate the independent variables (leadership style, and training and the dependent variable (Knowledge Management Practices as follows:

Where $z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 \ldots . \beta_k X_k$

z is the utility function of the event expressed as a linear combination of independent variables $X_1, X_2, \ldots X_k$ β_0 is the intercept i.e. $Y = \beta_0$ when $X_{1, 2, \ldots k} = 0$

$\beta_1, \beta_2 \ldots \beta_k$ are the regression coefficient the contribution of each independent variables (leadership style, incentives, training and information technology) to knowledge management practices.

Reliability of the Instrument

Reliability test was carried out to test the consistency of the research tools with a view of correcting them. To test for reliability, the study used the internal consistency technique by employing the Cronbach Coefficient Alpha test for testing the research tools. The study had a 0.985 value which is considered moderately high on a scale of 0.00-1.00 as it tends to 1.00 on attitudinal measurement scales. Internal consistency of data was determined by correlating the scores obtained from one time with scores obtained from other times in the research instrument.

Table1: Cronbach Alpha for Reliability Assessment

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.981	.985	5

Validity of instrument which is the accuracy and meaningfulness of inferences was measured using content validity test. Pilot testing was conducted to test the validity of the research tools. The research tool were administered to the respondents who were allowed ample time to respond.

Results
The researcher distributed a total of 44 questionnaires 38 (86.4 %) were returned. 86.4% responses were found to be very significant to carry out the study by the researcher.

Knowledge Management Practices
The research sought to find out if there are laid out ways of acquiring knowledge within the financial institutions. 100% of the respondents were of the view that there are laid out ways of acquiring knowledge within their organization. The researcher found out that knowledge was acquired through internal means while 47.4% of the respondents said it was outsourced. Means of sharing knowledge were set in the Saccos in Meru County and they used emails and instant messaging to share knowledge while 55.3% of the respondents were found to use their website.
100% of the respondents said they store their knowledge in hardcopy, softcopy and 31.6% of the respondents said they store in back-up email. The knowledge acquired is stored for years. Majority of the respondents said their organization recognize knowledge as one of the asset base. 71.1% of the respondents were of the view that they had implemented knowledge management in their organization while 28.9% of the respondents were planning to implement knowledge management. Majority of the respondents rated the level of knowledge management in their organization as being moderate.

Table 4.4: Rating Level of Knowledge Management

	Frequency	Percent
High	15	39.5
Moderate	23	60.5

Influence of Leadership Style on Knowledge Management Practices
Leadership is defined as the ability to influence and develop individuals and teams to achieve goals that have been set by the organization (Robbins et al., 2001). The respondents said that their employers request for their input while making decisions. All the levels of management of the Saccos were found to be involved in decision making process with 100% of the respondents saying so. 62% of the respondents agreed that the leadership of their organization was concerned with maintenance of good working relations and was oriented towards group decision making this shows that majority of Saccos employees enjoyed a democratic style of leadership . The respondents also agreed that their leaders guides and motivates subordinates in the direction of established goals by clarifying role and task requirements. The influence of leadership style on knowledge management practices in financial institutions was rated as being moderate by majority of the respondents.

Table 4.5: Rating Influence of Leadership Style on Knowledge Management Practices

	Frequency	Percent
Very high	9	23.7
High	13	34.2
Moderate	16	42.1

Influence of Training on Knowledge Management Practices
Off-job and on-job training are offered by Saccos in Meru County and middle level and line managers are involved in training their employees. Saccos in Meru County advocate the need for training to the employees by creating programs like job rotation to provide skill development and allocating a fund for staff training with 31.6% of the respondents stating so. Advocating the need for training need, organizations should be allocated annual funding to provide continuing education and staff training to all staff members (Lee, 2005). The influence of training on knowledge management practices in financial institutions was rated as being moderate by majority of the respondents.

Table 4.6: Rating Influence of training on Knowledge Management Practices

	Frequency	Percent
High	17	44.7
Moderate	21	55.3

Table 4.7: Rating Influence of Leadership Style on Knowledge Management Practices

	Frequency	Percent
Very high	6	15.8
High	8	21.1
Moderate	13	34.2
Low	11	28.9

Table 4.8: Rating Influence of Technology on Knowledge Management Practices

	Frequency	Percent
High	21	55.3
Moderate	17	44.7

Logistic Regression Analysis

A logistic regression analysis was conducted to test the relationship between independent variables and dependent variable on the factors influencing Knowledge management practices in financial institutions a survey of Saccos in Meru County. The statistical package for social sciences (SPSS) was applied to compute the measurements of the logistic regressions for the study.

Table 4.9.1: Omnibus Tests of   Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	47.163	4	.000
	Block	47.163	4	.000
	Model	47.163	4	.000

Omnibus Tests of Model Coefficients is used to test the overall significance. Omnibus Tests of Model Coefficients had 4 degrees of freedom, a value of 47.163 and a probability of $p < 0.000$. Thus, this indicates that the model had a poor fit, with the model containing only the constant indicating that the predictors do have a significant influence and therefore creating a different model.

Table 4.9.2: Model summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	3.819[a]	0.711	0.963

Under Model Summary the Nagelkerke R^2 which is a stronger measure showed a stronger relationship of 96.3% between the dependent and independent variables.

Table 4.9.3: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	.000	5	1.000

If the Hosmer and Lemeshow goodness-of-fit test statistic is greater than .05, as is for well-fitting models, we fail to reject the null hypothesis that there is no difference between observed and model-predicted values, implying that the model's estimates fit the data at an acceptable level. That is, well-fitting models show non-significance on the Hosmer and

Lemeshow goodness-of-fit test. This desirable outcome of nonsignificance indicates that the model prediction does not significantly differ from the observed. The Hosmer and Lemeshow statistic has a significance of 1.000 which means that it is not statistically significant and therefore the model is quite a good fit.

Table 4.9.4: Variables in the Equation

		B	Wald	df	p-value
Step 1ª	Leadership style	20.104	.000	1	.029
	Training	.000	.000	1	.000
	Constant	-148.420	.000	1	.185

		B	Wald	df	p-value
Step 1ª	Leadership style	20.104	.000	1	.029
	Training	.000	.000	1	.000

5 percent significance level.

The researcher conducted a logistic regression analysis so as to explain the factors influencing knowledge management practices. And the two variables as per the SPSS generated, the equation ($Z = \beta 0 + \beta 1 X_1 + \beta 2 X_2 + \varepsilon$). Where Z is knowledge management practices, X_1 is leadership style, X_2 is training,

Hypothesis testing
Critical values of the normal distribution can either be positive or negative. This depends on the alternative hypothesis. If the alternative hypothesis states that the expected mean is greater than critical value, the region of rejection will have a positive sign. Since the relevant critical value or region is in the upper tail of the normal distribution, the null hypothesis is only rejected if critical value is greater than the pvalue of
0.05 ($p \geq 0.05$)

H₀: There is no significant relationship between leadership style and knowledge management practices. The test rejected the null hypothesis because $0.05 \geq p$ ($0.05 \geq 0.029$). The study concluded that there is a significant relationship between leadership style and knowledge management practices. This concurs with the research of Mohamed and Liu (2003), on determinants of successful knowledge management programs who stated that leadership is often identified to be a driver for effective knowledge management in organizations. It also agrees with Yu et al. (2004) in their research on linking organizational knowledge management drivers to knowledge management performance who found that adequate leadership can exert substantial influence on organizational members' knowledge creation activities.

H₀: There is no significant relationship between training and knowledge management practices. The test rejected the null hypothesis because $0.05 \geq p$ ($0.05 \geq 0.000$). The study concluded that there is a significant relationship between training and knowledge management practices. This coincides with Priti (2012) in his empirical study of knowledge management in university libraries in SADC countries who concluded that for effective application of knowledge management adequate training is vital and insufficient training might lead to limited expertise.

Discussions and Conclusions
Influence of Leadership Style on Knowledge Management Practices
The respondents said that their employers request for their input while making decisions. All the levels of management of the Saccos were found to be involved in decision making process. 62% of the respondents agreed that the leadership of their organization was concerned with maintenance of good working relations and was oriented towards group decision making. The respondents also agreed that their leaders guides and motivates subordinates in the direction of established goals by clarifying role and task requirements. The influence of leadership style on knowledge management practices in financial institutions was rated as being moderate by majority of the respondents. After testing the hypothesis the study concluded that there is a significant relationship between leadership style and knowledge management practices.

Influence of Training on Knowledge Management Practices
Off-job and on-job training are offered by Saccos in Meru County and middle level and line managers are involved in training their employees. Saccos in Meru County advocate the need for training to the employees by creating programs like job rotation to provide skill development and allocating a fund for staff training with 31.6% of the respondents stating so. The influence of training on knowledge management practices in financial institutions was rated as being moderate

by majority of the respondents. After testing the hypothesis the study concluded that there is a significant relationship between training and knowledge management practices.

Since the study was limited to the factors influencing knowledge management practices a survey of Saccos in Meru County, further research should be carried out in other Counties in Kenya. The study was limited to only two factors which were assumed to influence knowledge management practices of Saccos in Meru County, further studies may access other factors (which constitute 28.9%) influencing knowledge management practices in Meru County in financial institutions.

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