EFFECTS OF KNOWLEDGE CAPTURE AND ACQUISITION PRACTICES ON ORGANIZATIONAL PERFORMANCE

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Abstract

Purpose: SMEs are an important component of the economy, especially with regard to absorbing a large percentage of the workforce. Good performance of these entities is therefore critical so that they can continue with their economic contribution. However, despite county government efforts of Kisumu and the government of Kenya to promote SME activity, not much progress seems to have been achieved. The general objective of this study was to investigate the influence of knowledge management practices on the performance of small and medium enterprises in Kisumu City County.

Methodology: The study was based on descriptive research design. The target population will be 532 SMEs firms in Kisumu City County. The sample size was 150 SMEs covering different sectors. The study will use questionnaires, containing both open ended and closed ended questions to obtain primary data. Descriptive statistics including the means and standard deviations will be used to analyse the data and capture the characteristics of the variables under the study. The conclusions of this study were informed by the findings based on each study objective and also findings of other similar studies.

Results: The findings of the study revealed that knowledge creation, knowledge acquisition, knowledge sharing and knowledge implementation are positively related with performance of SMEs in Kisumu County. Knowledge creation, knowledge acquisition, knowledge sharing and knowledge implementation were found to be satisfactory variables in explaining performance of SMEs in Kisumu County as supported by coefficient of determination of 51.2%. This shows that knowledge creation, knowledge acquisition, knowledge sharing and knowledge implementation explained 5.2% of the performance of SMEs in Kisumu County.

Unique contribution to theory, practice and policy: The study recommends that SMEs in Kisumu County should adopt knowledge management strategy in running their business so that they can gain improved performance, knowledge management strategies to be adopted are: knowledge sharing, knowledge acquisition, knowledge creation and knowledge implementation.

Keywords: Knowledge, Knowledge Capture, Knowledge Acquisition, Organizational Performance, SMEs.
1.0 INTRODUCTION
Small and Medium enterprises have been noted to play a significant role in employment and economic growth of many countries (Liedholm & Mead, 1999). Indeed, in many developing countries as well as developed countries, small and medium enterprises are the focal point of growth and self-employment. In low-income countries, it is estimated that small and medium enterprises account for more than 60 per cent of the GDP and provide over 70 per cent of employment opportunities (Lukacs, 2005). Knowledge can be considered as the most important strategic resource for ensuring an organization’s long-term success and survival, because it is unique and difficult to imitate (Grant, 1996; Kogut & Zander, 1992). Moreover, it is strategically important for the management of technology and innovation. These facts have motivated researchers to center their studies on the internal aspects of businesses as being fundamental to their competitiveness, particularly those of an intangible nature which are linked to organizational knowledge (Nonaka & Takeuchi, 1995). The Knowledge management practices (KMS) of a firm is based on the best possible strategic design to create, maintain, transfer and apply organizational knowledge to reach competitive goals (Liebeskind, 1996). The role of Small and Medium Enterprises in job creation and economic growth globally cannot be disputed. The small and medium sized sector is increasingly being recognized as the prime vehicle for economic development in both developed and developing nations (Zacharakis et al., 2002). It is a major source of employment, revenue generation, innovation and technological advancement. Therefore, SMEs have become a major asset in the economy. In most of the countries in the world, the level of economic dependence on small and medium enterprises has increased in recent years.

In Europe and the U.S. an estimated, 81% of the leading organizations are utilizing some form of knowledge management (Grossman, 2006). Consequently, the key question today is no longer whether to manage knowledge, but how to manage it (Lee & Choi, 2003). The contribution of Small and Medium Enterprises (SMEs) around the globe is unquestionable and especially in developing countries, where development in this sector is seen as a key strategy for economic growth, job generation and poverty reduction (Agupusi, 2007). According to Mutezo (2005), Japan’s SME sector accounts for the bulk of the country’s business establishment, proving vital support for employment, for regional economies and by extension for the day-to-day life of the Japanese people.

In Taiwan the SME sector generates 98 percent of the economy’s GDP. In Malaysia, the concept of knowledge management (KM) began to be implemented in the late 1990s when multinational organizations like Microsoft and Hewlett-Packard brought their KM practices, processes and applications to the country. At the same time, the Malaysian government launched its Knowledge Economy Master Plan, which consisted of strategies for transforming Malaysia from a production-based economy to a knowledge-based economy. One strategy proposed in the plan called for the private sector to be the vanguard of the knowledge economy development. The Multimedia Development Corporation (MDeC), Siemens, Bank Negara Malaysia, Nokia Malaysia, and Telekom Malaysia were among the pioneers for the implementation of KM in the country. In Sub Saharan Africa countries, the
The full potential of the SME sector has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. SMEs in developing countries primarily face issues relating to business regulations and restrictions, finance, human resource capabilities and technological capabilities (Mwangi et al., 2013). Developing SMEs in developing countries is an important challenge. The main underlying constraints to their growth are lack of finance, lack of human resource capabilities and lack of technological capabilities (Visser, 2013).

In South Africa, the SME sector may be more important because of the country’s history, which has left most people poor, and with no formal education or training (Abor & Quartey, 2010). Abor and Quartey point out the importance of SMEs in South Africa where it is estimated that 91% of the formal business entities are SMEs. They also contribute between 52 to 57% to GDP and provide about 61% of employment. In Kenya, classification of enterprises is primarily by the number of employees engaged by firms. "Micro-enterprises” in the Kenyan context are those with 10 or fewer workers. According to the Micro and Small Enterprise Act (2012), a Small Enterprise is a business that has sales of between Ksh.500,000 – Ksh.1 million a year, or has 10– 50 people working in it. Those firms that employ 50 to 99 workers are classified as medium scale enterprises while firms with 100 or more workers are categorized as large-scale enterprises.

Kenya has about 1.6 million registered small and medium sized enterprises constituting about 96 per cent of all business enterprises in the country (Economic Survey, 2009). SMEs represent the largest sector in the economy employing up to 83% Kenya’s workforce and contributing up to 18.4% of the country’s Gross Domestic Product (GDP) (Economic Survey, 2013). SMEs are therefore an important component of the economy, especially with regard to absorbing a large percentage of the workforce. Adoption of knowledge management practices to these entities is therefore critical so that they can continue with their economic contribution.

Objectives of the Study
The main aim of the study was to assess the effects of knowledge management capture and acquisition practices on organizational performance.

Specific Objectives
1. To establish the influence knowledge creation on the performance of small and medium enterprises in Kisumu City County, Kenya.
2. To determine the influence knowledge acquisition on the performance of small and medium enterprises in Kisumu City County, Kenya.
3. To assess the influence of knowledge sharing on the performance of small and medium enterprises in Kisumu City County, Kenya.
4. To investigate the influence of knowledge implementation on the performance of small and medium enterprises in Kisumu City County, Kenya.

LITERATURE REVIEW

Theoretical Review.

Resource Based views Theory
Resource Based views Theory originated from Penrose’s idea (1959) of the firm as a coordinated ‘bundle’ of resources, tackles the question of a firm’s goals and strategic behavior. According to resource-based views, firms perform well and create value when they implement strategies by exploiting their internal resources and capabilities. KM processes which include knowledge acquisition, conversion and application are used to manage and increase firm’s internal resources and improve firm performance.

The knowledge-based views of the firm considers knowledge as the most strategically significant resource of the firm (Grant, 1996) and identify the primary role for the firm in the creation and application of knowledge (Bierly and Daly, 2002). This view considers firm as a ‘distributed knowledge systems’ composed of knowledge-holding employees, and believes firm’s role is to co-ordinate these employees so that they can create knowledge and value for the firm (Spender, 1996). The rationale is that knowledge endows firms with various competencies and capabilities that account for firm performance and competitiveness in the market. Kogut and Zander (1992) suggested that for a firm to remain competitive, it must effectively and efficiently create, locate, capture and share knowledge and expertise in order to apply that knowledge to solve problems and exploit opportunities. Most of the research on the knowledge-based view is process-oriented.

Absorptive capacity is dependent on a firm’s level of prior related knowledge. A firm’s absorptive capacity could be enhanced through KM processes which allow the firm to acquire, convert and apply existing and new knowledge by adding value to internal resources, and at the same time sustain competitiveness in the market. Since this is resource based theory, the organization can efficiently with discipline utilize available resources a practice that can be replicated by the SMEs firms in Kenya to boost their performance. The resources marshaled by Small and Medium Enterprises in Kenya are small and so this theory is very important when budgeting for the available scarce resources.

Organization Learning Theory
Organization learning theory was developed by Scholars Nevis, DiBella, & Goulds’ in 1995. Scholars Nevis, DiBella, & Goulds’ defined organizational learning as reflecting the skills of creating, acquiring, and transferring knowledge and modifying behavior to reflect new knowledge and insights. Almost all of the published literature reviews on organizational learning agree on the notion that the process of organizational learning starts with acquiring and disseminating information. Daft and Weick (1984) perceived the abilities of firms to interpret information as the main component of organizational learning. Such learning is said to occur when new knowledge is generated (Huber, 1991). This theory is applicable to our
study as it emphasizes on the importance of knowledge to the development of SMEs in Kenya. These SMEs can share knowledge acquired through innovation, new methods of marketing increasing their customer base. Such initiatives increase SMEs’ sales revenue.

**Knowledge-Based Theory**

This theory was first coined by Grant in 1996. This theory supposes that knowledge management practices such as knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing and knowledge implementation play a critical role in achieving high level productivity, financial and human resource performance and finally improving sustainable competitive advantage (Soderberg & Holden, 2002). This theory helps significantly towards realizing the important role of knowledge management. This theory is applicable to our study since SMEs can share knowledge acquired through innovation, new methods of marketing increasing their customer base. Such initiatives increase SMEs’ sales revenue.

**Empirical Review**

**Knowledge Creation and Performance**

Gholami, Asli, Shirkouhi and Noruzy (2013) investigated the Influence of Knowledge Management Practices on Organizational Performance: An Empirical Study. The aim of the study was to investigate the influence of knowledge management practices on organizational performance in small and medium enterprises (SMEs) using structural equation modeling (SEM). A number of 282 senior managers from these enterprises were chosen using simple random sampling and the data were analyzed with the structural equation model. The results showed that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation have significant factor loading on knowledge management; and also productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance.

Hsu (2006) conducted a study on Analysis of Knowledge Creation and its Affecting Factors in the Asynchronous Web-based Learning System. The study by taking asynchronous web-based learning system as an example discussed the relationship of communication mode, e-learning websites design, and knowledge creation. The research design of this study aimed at a structure equation model to test the integrated effects of communication mode and e-learning websites design on knowledge creation. The study research utilized Path analysis to analyze the various variables affecting knowledge creation to see how they affect tactic and explicit knowledge creation. Further, the study used factor analysis method to extract the common factors in different categories in this questionnaire and find out the structural relationship between variables. Considering the mediating effects on knowledge sharing, the study found that the direct effects of Teacher Involvement, Interaction between students and frequency on tacit knowledge creation were significantly positive. In particularly, Interaction between students had relatively negative indirect effects through tacit knowledge sharing. Finally, Website accessibility and usability had significant direct effect on tacit knowledge.
creation, and had indirect effects on both tacit and explicit knowledge creation through explicit knowledge sharing. In addition, Curriculum Professionalism was negative correlated with explicit knowledge sharing, and it only had indirect effects on knowledge creation.

**Knowledge Acquisition and Performance**

Gholami, Asli, Shirkouhi and Noruzy (2013) Investigated the Influence of Knowledge Management Practices on Organizational Performance: An Empirical Study. The aim of the study was to investigate the influence of knowledge management practices on organizational performance in small and medium enterprises (SMEs) using structural equation modeling (SEM). A number of 282 senior managers from these enterprises were chosen using simple random sampling and the data were analyzed with the structural equation model. The results showed that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation have significant factor loading on knowledge management; and also productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance. Mahapa (2013) conducted a study on the Impact of Knowledge management practices on Organizational Performance in the Hospitality Industry of Zimbabwe. The research identified knowledge management practices and how they impact on organizational performance in the hospitality industry in Zimbabwe. The research made use of the Processes, Intellectual capital, Culture and Strategy (PICS) model which shows a substantial positive relationship between processes, intellectual capital, and knowledge acquisition and knowledge management. The research was based on case studies of 3 hotels in Zimbabwe. Structured interviews were used to elicit information from managerial employees and questionnaires were administered to nonmanagerial employees. Stratified random sampling was used to select a total 50 participants mainly 15 managerial and 35 non-managerial staff in the research from all the hotels. The findings from this research revealed that the organisations have in place knowledge management practices and these lead to development of new ideas, new products and also new ways of doing things that will eventually lead to improve the organizational performance. Daud (2012) conducted a study on Knowledge management processes in SMES and large firms: A comparative evaluation. The competitiveness of a firm depends on the quality of knowledge they apply to their business processes. Knowledge management (KM) processes are part of the firm business processes. These processes require turning personal knowledge into corporate knowledge that can be widely shared throughout a firm and appropriately applied. This study examines how SMEs and large firms apply KM processes in their daily business activities and analyse the influence of KM processes on their financial and non-performance.

**Knowledge Implementation and Performance**

Kombo (2015) conducted a study on Knowledge Strategy, Innovation and implementation in Manufacturing Firms in Kenya. The objective of the study was to empirically examine the effect of knowledge strategy on organizational innovation. The study adopted cross-sectional survey research design. The target population comprised of 655 manufacturing firms in Kenya. The results show that knowledge strategy has a positive and significant effect on
innovation activities of the firms. It is concluded that higher levels of knowledge strategy implementation would result in higher organizational innovation. Gómez and Manzanares (2011) conducted a study on Knowledge management practices, Innovation and Firm Performance an Empirical Study. The study investigated, from the knowledge-based view of the firm, whether there are groups of firms with homogeneous behaviours, as regards to knowledge management practices. The results show important differences in the conception and implementation of KMS, and significant relationships between the performance of some firms and their efficiency in the transmission and application of existing knowledge.

METHODOLOGY
Descriptive design was used to conduct this study. This type of study attempts to define and describe a subject by creating a problem profile, events or population by collecting data and tabulating their frequencies or interaction, (Mugenda and Mugenda, 2009). The study was aimed at collecting data from respondents on their opinions in relation to the effect of knowledge management on performance of SMEs. Population The target population for this study comprised of SME’s in Kisumu City County. In Kenya, classification of enterprises is primarily by the number of employees engaged by firms. The target population for the study was 532 SMEs in Kisumu City County. The respondents were the managers and owners of the SMEs. The managers were selected for the study because they have a clear and consistent understanding of the SMEs operations which implies that the results can be generalized without a lot of errors. The population included education, ICT, construction, engineering, health, manufacturing, retail, hospitality, energy, financial, automotive, real estates, services and logistics in Kisumu City County. Sampling Design The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. According to Mugenda and Mugenda (2003) a sample of 30% is good enough to represent a target population. From the above population of 532 the researcher will have a sample of 30% using stratified random sample, hence a sample size of 150 respondents. Data Collection Instruments and Procedure Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. The study used primary data. Primary data refers to information that a researcher gathers from the field Kothari (2008). Primary data was obtained from the original sources using questionnaires. The questionnaires will be administered through drop and pick method to the respondents working in the selected SMEs. The researcher informed the respondents that the instruments being administered will be for research purpose only and the response from the respondents will be kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then personally deliver the questionnaires to the respondents so that they can be filled in and then collect the questionnaires later. The drop and pick later method was used in the study. Data Analysis and Presentation After quantitative data was obtained through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) version 20.0 for analysis. The statistics
generated was descriptive statistics and inferential statistics. The specific descriptive statistics include percentages and frequencies while the inferential statistics include a multiple linear regression model. Descriptive statistics including the means and standard deviations will used to analyze the data and capture the characteristics of the variables under the study. Inferential statistics was used to test the nature and magnitude of the relationship between dependent and independent variables. Simple regression analysis and Pearson’s correlations was computed to determine the nature and the strength of the relationship among the variables. The multiple linear regression models were used to measure the relationship between the independent variables and the dependent variable.

RESULTS
The purpose of this study was to investigate the influence of knowledge management strategy on the performance of small and medium enterprises in Kisumu County, Kenya. The study objectives were; establish the influence knowledge creation on the performance of small and medium enterprises in Kisumu County, determine the influence knowledge acquisition on the performance of small and medium enterprises in Kisumu County, assess the influence of knowledge sharing on the performance of small and medium enterprises in Kisumu County and to investigate the influence of knowledge implementation on the performance of small and medium enterprises in Kisumu County. The first objective was to establish the influence of knowledge creation on the performance of small and medium enterprises in Kisumu County ($r=0.314$, $p=0.000$). Regression of coefficients results showed that knowledge creation and SMEs performance were positively and significantly related. The second objective was to determine the effect of knowledge acquisition on the performance of small and medium enterprises in Kisumu County. Result findings revealed that that knowledge acquisition was positively related with performance of small and medium enterprises in Kisumu County ($r=0.320$, $p=0.000$). Regression of coefficients results also showed knowledge acquisition on the performance of small and medium enterprises in Kisumu County were positively and significantly related. The third objective was to understand the influence of knowledge sharing/transfer on the performance of small and medium enterprises in Kisumu County ($r=0.254$, $p=0.000$). Regression of coefficients results also showed that knowledge sharing and performance of small and medium enterprises in Kisumu County were positively and significantly related. The fourth objective was to establish the influence of knowledge implementation on the performance of small and medium enterprises in Kisumu County ($r=0.182$, $p=0.000$). Regression of coefficients results also showed that knowledge implementation and performance of small and medium enterprises in Kisumu County were positively and significantly related.

DISCUSSION
The first objective was to establish the effect of knowledge creation on the performance of small and medium enterprises in Kisumu County, Kenya. Based on the findings the study concluded that knowledge creation affects performance SMEs. Knowledge creation involves the utilization of internal and external resources of an organization to generate new knowledge for achieving the organizational goals. Brainstorming methods and conducting
research to make the best use of the knowledge assets of customers, suppliers and staffs are strategies applied in many prosperous SMEs for creating knowledge. The second objective was to determine the effect of knowledge acquisition on the performance of small and medium enterprises in Kisumu County. Based on the findings the study concluded that knowledge acquisition affects performance SMEs. Knowledge acquisition encompass the process of acquiring and learning appropriate knowledge from various internal and external resources, such as experiences, experts, relevant documents, plans and so forth. Interviewing, laddering, process mapping, concept mapping, observing, educating and training are the most familiar techniques for knowledge acquisition. The third objective was to understand the effect of knowledge on the performance of small and medium enterprises in Kisumu County on the findings the study concluded that knowledge sharing affects financial performance of small and medium enterprises in Kisumu County. This International Academic Journal of Human Resource and Business Administration | Volume 3, Issue 1, pp. 451–475 471 | Page is because information shared is used for business growth and development. Knowledge sharing is a process through which personal and organizational knowledge is exchanged. In other words, knowledge sharing refers to the process by which knowledge is conveyed from one person to another, from persons to groups, or from one organization to other organization. The fourth objective was to determine the effects of knowledge implementation on the performance of small and medium enterprises in Kisumu County. Based on the findings the study concluded that knowledge implementation affects performance SMEs. This means the application of knowledge and the use of the existing knowledge for decision-making, improving performance and achieving goals. Organizational knowledge should be implemented in the services, processes and products of the organization.

CONCLUSION
The conclusions of this study were informed by the findings based on each study objective and also findings of other similar studies. Each objective was reviewed and a conclusion provided which covers both theory and practice. The purpose of this study was to investigate the influence of knowledge management strategy on the performance of small and medium enterprises in Kisumu County, Kenya. It is clear that organizations in their pursuit for sustainable competitive advantage must develop and incorporate sound KM strategy. Knowledge as one of the most critical resource of all corporate organizations needs to be properly managed to survive in the intensely competitive business environment. Globally, every organization irrespective of whether private or public are established to attain some performance targets for instance profit or non-profit. One of the ways through which organizations could improve their performance goals is through KM practices. For KM programs to be effective organizational performance must be improved. The SMEs sector today, is one of the most significant backbone of most economies and needs knowledge and innovation. Hence, to perform organizations need to identify and manage new and potential knowledge availing the business community.
RECOMMENDATIONS

The study recommends that SMEs in Kisumu County should adopt knowledge management strategy in running their business so that they can gain improved performance, knowledge management strategies to be adopted are: knowledge sharing, knowledge acquisition, knowledge creation and knowledge implementation. When knowledge is recognized, acquired, and stored, SMEs can implement this knowledge to explore problems and create solutions, producing a structure for facilitating efficiency and effectiveness. In the modern dynamic and complex environment, SMEs need to acquire, create, share, save and implement new knowledge in order to make strategic decisions that can lead to improvements in productivity, financial and staff performance, innovation, work relationships, and customer satisfaction. Thus, SME managers should be committed to providing a supportive climate and culture, one that motivates employees and supervisors to implement the mentioned KM practices, in order to foster the SMEs results.

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