KNOWLEDGE MANAGEMENT PRACTICES AND PERFORMANCE OF MICRO-FINANCE INSTITUTIONS IN KENYA: A CASE OF UWEZO MICRO-FINANCE BANK

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ABSTRACT

Knowledge Management is how firms acquire, apply and store their intellectual capital. It’s the information system obtained and structured to influence the skills and experience of all the organizational employees efficiently and effectively in order to maintain the processing needs of information together with supporting and allowing decision making process on knowledge staff. Over the years Knowledge management has gained much prominence, and more attention has been focused on it to improve Organizational performance. Despite this, lack of information has been transformed to the availability of information and the serious pressures from the global perspective regarding management include identification, creation, dissemination and protection of knowledge. Moreover, how knowledge Management affects organizational performance is a question that has not been adequately addressed. The purpose of this study was, therefore, to assess the effect of knowledge management on the organizational performance of Microfinance institutions in Kenya. In this regard, the study specifically seeks to establish the impact of knowledge acquisition, knowledge conversion, knowledge application and knowledge protection on organizational performance of Microfinance institutions in Kenya. For this purpose, the researcher adopted a descriptive research design where a questionnaire will be used to get responses from 87 Uwezo Micro-Finance bank employees sampled through simple random technique from a total of 111 targeted respondents. In this regard, 62 out of the 87 respondents returned their questionnaires. From the discussion of the key findings, the study made a conclusion that knowledge management practices positively impacted the organizational performance of Micro-Finance institutions in Kenya. Regarding this, the study concluded that all the independent: knowledge acquisition, knowledge conversion, knowledge application, knowledge protection had a statistically significant positive influence on the organizational performance of Micro-Finance institutions in Kenya. The study further, recommended that: The Micro-Finance institutions in Kenya to develop and adopt more solid knowledge acquisition initiatives. This would by far impact on human capital development in the organizations what further enhance the organizational performance; the Micro-Finance institutions in Kenya to consider doing knowledge mapping and to introduce cross-functional working relations between the employees of the organization to ensure knowledge acquired is converted and put into proper use; the Micro-Finance institutions in Kenya to consider introducing more formal channels of knowledge sharing within the organization and across the departments such that the employees are able to freely use both new and existing knowledge to solve new or existing problems in the organization; the Micro-Finance institutions in Kenya to develop and adopt more stringent policies and to ensure all the new employees sign with the company a Non-Disclosure Agreement (NDA) before commencing duty in the organization. This would ensure that this intangible asset stays in the organization.

Key Words: knowledge management practices, performance, micro-finance institutions, Kenya, Uwezo Micro-finance bank
INTRODUCTION

Knowledge is a liquid surrounded affair, values, relevant data and master knowledge that give a structure to assessing and fusing new aptitudes and data. It emanates from and applies to those of the ability to understand (Gronau, Thim, Ullrich, Vladova & Weber, 2016). Knowledge has been termed as a vital resource of economy and possibly the single source of gaining competitive advantage (Intezari & Gressel, 2017).

Today’s business world embraces the economy of knowledge to improve their corporate performance. It is the responsibility of an organization to have knowledge management on how to improve both their internal and external competitiveness (Tseng & Lee, 2014). Knowledge management means the process of managing knowledge through a systematically and organizationally specified process (Wong, Tan, Lee & Wong, 2015). According to Botha, Kourie, and Snyman (2014), in its early stages knowledge management mainly focused on technical aspects and providing IT business solutions and afterward it included social aspects such as the community, development of individuals and the environment in which the organization is subjected to. However, successful implementation of knowledge management practices can enable the organization gain competitive advantage through development of knowledge assets (Heisig, Suraj, Kianto & Faith, 2016).

It is evident that knowledge has little by little become the most critical aspect in production, subsequently to resources like labour, land and capital (Lee & Wong, 2015). Even though some ways of intellectual capability can be transferred, intrinsic knowledge cannot. As a result, the significant goal of management is to enhance the process involved in acquiring, integrating and using knowledge as it is exactly what pertains to knowledge management (Hasan, 2016).

Information technology improvement and introduction of new innovations have enabled many organizations to remain competitive and these organizations are able to realize the changes from resource economy pertaining control of land, labour and capital and to knowledge economy of business value creation by adequately using intangible knowledge. On the other hand, the key concern has been how to successfully achieve knowledge management (Hasan, 2016).

To stay competitive and to survive, there is a need to continuously modify strategies so as to achieve the needs of the business and this regards to the knowledge management growth for last few years (Pearlson, Saunders, & Galletta, 2016). Organizations need a different kind of knowledge strategy for different kind of situations. According to Bishwas (2014), strategies regarding the management of crisis, knowledge and performance of organization are dependent to each other but not independent. The best transformation from tacit knowledge to explicit knowledge enables that organization to use the knowledge in finding the solution and to utilize any new chance and support organizational learning (Bishwas, 2014). The organizations that work as if their environment is still stable (old world of business), not only are they losing the competitive advantage; but also, they are facing massive financial losses. They also lose knowledge of best practice in a specific area of operations because of a critical
employee’s departure and finally they lose in the relationship with a key client or supplier or a sponsor by the departure of key individuals (Muthee, 2014).

Knowledge management is a key source of competitive advantage for the organization as it enables organizations in acquiring skills and understanding through experimenting and process (Yiu & Law, 2014). The major concern, however, is, for effective implementation of knowledge management in organizations it is crucial for organizations to identify and understand the essential practices that will influence the success of knowledge management initiatives as these may have profound effects on the organization performance (Yiu & Law, 2014). These techniques are the main thrust in completing learning administration, they do not simply broad information in the organization by invigorating the formation of information, yet they likewise persuade the members of group to impart their insight and encounters to each other, enabling authoritative information to develop simultaneously and efficiently (Muthee, 2014).

Profile of Uwezo Micro-Finance Bank

Uwezo Microfinance Bank Limited is a business entity that is owned by 21 Kenyan shareholders who are reputable entrepreneurs and professionals in diverse sectors and fields such as manufacturing, Microfinance, law, banking, Finance, marketing, health, social development. It is governed by a competent board of directors comprising of 8 directors of diverse professional backgrounds. The management team is headed by a Chief Executive officer and consists of a responsible team of professionals in various fields (Naikuru, 2017).

Uwezo Microfinance bank’s vision is to be the preferred provider of financial solutions for wealth creation and improved livelihoods with a mission to provide sustainable business solutions for wealth creation and improved livelihoods. The bank’s co-values include hard work and teamwork, Integrity, Professionalism, Learning and Innovation, Equal opportunity employer, Reward good performance and concern for the environment (Naikuru, 2017).

STATEMENT OF THE PROBLEM

Knowledge has in the recent past been recognized as the organization’s most important asset (Gituma, 2017). Dlamini (2017) indicated that with knowledge being a very complicated asset, it had received special treatment from the organization’s management, unlike other resources. Despite the rising popularity of knowledge management across different organizations of the world, in Kenya, knowledge management has not received too much attention from the small and medium-sized enterprise. The Micro-Finance Sector in Kenya has over the years grown but not to its full potential. According to Bell (2017), the microfinance sector in Kenya is faced with key challenges; political issues, corruption, inadequate infrastructure and improper knowledge management. In this regard, this industry has not been able to address the problems of consumer knowledge and feedback adequately. Many customers are therefore a bit dissatisfied with the terms presented by most of these enterprises. Failure to properly manage knowledge in Uwezo Fund, in this case, has resulted in a weak banking infrastructure that requires not only significant investment in staff and
facilities but also the proper investment in technology. Despite the knowledge management related challenges facing the Microfinance sector in Kenya, there exist too few scholarly works in Kenya relating to it. Studies by Yusuf and Wanjau (2014), Muthee (2014), and Sawe (2017) are among the few studies in Kenya that have sought to investigate the knowledge management and its effect on the wellbeing of the key institutions in Kenya. In this regard, the latter will be different from the former in the sense that none of these studies plainly concentrated on knowledge management and its influence on organizational performance in microfinance institutions in Kenya. It is to this concern that; this study sought to fill the gap by investigating the effect of knowledge management practices on organizational performance with Uwezo Micro-Finance Bank as the case study.

GENERAL OBJECTIVE

The general objective of the study sought to assess the effect of knowledge management on organizational performance in Microfinance institutions in Kenya.

SPECIFIC OBJECTIVES

1. To determine the effect of knowledge acquisition on the performance of microfinance institutions in Kenya.
2. To establish the effect of knowledge conversion on the performance of microfinance institutions in Kenya.
3. To find out the effect of knowledge protection on the performance of microfinance institutions in Kenya.
4. To establish the effect of knowledge application on the performance of microfinance institutions in Kenya.

THEORETICAL REVIEW

Knowledge-Based View

The knowledge-based view (KBV) of the firm thinks about learning as the most deliberately critical asset of a firm. Its advocates contend that since learning based assets are normally hard to mimic and socially perplexing, heterogeneous information bases and capacities among firms are the real determinants of maintained upper hand and prevalent performance of the corporate (Kitchlew, 2015). This learning is implanted and conveyed by different elements including hierarchical culture and personality, approaches, schedules, archives, frameworks, and the organizational workforce (Kitchlew, 2015).

Theorists believe that the knowledge-based view of the firm is the characteristic development of the asset based view on the grounds that the asset with the most supported upper hand is the most profitable, incomparable and fixed of all which is knowledge (Mitra, O'Regan & Sarpong, 2017). The core assumptions of this theory are; firms apply knowledge to the generation of merchandise and administration, information is the most deliberately critical of a company’s asset, knowledge is made and held by individual not organizations, and finally, firms exist since business sectors are unequipped for organizing the learning of the individual
specialty. This is the part of administration within the organization. The comprehension of information as an asset makes the notional organization with the asset based view (Hughes, Powell, Chung and Mellahi, 2017). Another explanation behind the information based seem to be an expansion of the asset based view is the impression of associations to be heterogeneous substances containing learning(Mitra, O'Regan & Sarpong, 2017).

The knowledge-based view shows a relationship with knowledge management. As explained by Mitra, O'Regan, and Sarpong (2017) the reason for knowledge management is to catch an organization's aggregate aptitude and appropriate it wherever it can accomplish the greatest result. This is by the information based perspective of the firm which recommends that the wellspring of upper hand exists in the business. In this research, the knowledge-based view is used as a management concept which provides the firm with strategies for achieving competitive advantage. It is the approach used to form the basis for the establishment of human capital involved in the basic and routine activities of the firm and further introduces the strategic asset which forms the basis of acquiring competitive advantage for organizations. These strategic assets are difficult to imitate and socially complex of which knowledge can have these characteristics. In this regard, there is a need to manage this vital asset that is, knowledge (Hughes et al., 2017).

Organizational Knowledge Creation Theory

Nonaka and Toyama (2015) proposed organizational knowledge creation theory to explain the occurrence of creation organizational knowledge. They defined organizational knowledge creation as the capacity of an organization to make new learning, spreads it all through the organization, and epitomizes it in items, administrations, and frameworks (Nonaka & Toyama, 2015). This theory rests on the assumption that an organizational knowledge developed through a ceaseless exchange amongst tacit and explicit learning by means of four examples of associations, socialization, combination, internalization, and externalization. Correct knowledge is systematized information transmittable in formal, orderly dialect though implicit information is the customized information that is difficult to formalize and impart and profoundly established in real life, duty and contribution in setting (Nonaka & Toyama, 2015).

Socialization is the connection between people through systems, for example, perception, impersonation or apprenticeships. Combination involves consolidating unequivocal learning through gathering and discussion or utilizing data frameworks (Alkhabra, Haron & Abdullah, 2017). Internalization changes tacit knowledge into implicit learning though externalization changes over explicit knowledge into exact information. The theory additionally expresses that authoritative information creation happens when every one of the four methods of information transformation frame a consistent cycle activated by such activities as group collaborations, exchange, metaphors, coordination, documentation, experimentation, and learning by doing (Alkhabra, Haron & Abdullah, 2017). Organizational knowledge creation is an upward winding procedure from the individual level to the aggregate gathering level, and afterward to the corporate level, occasionally to the inter-organizational level (Nonaka & Toyama, 2015).
This theory shows a relationship with knowledge management. In this research, the theory will be used as a strategy for creating new vital knowledge and as an approach to better make use of existing learning resources by redeploying them into regions where the firm stands to a chance of gaining. On the other hand, knowledge management improves the organization’s capacity to shield it’s imperative learning and skills from being lost or duplicated.

Human Capital Theory

The human capital theory developed by Becker assists the comprehension and improvement of worldwide ability administration, both for scholastics and human asset professionals (Murray, 2016). This theory sees human capital as a type of asset that organizations can put resources into and is of incentive to the organizations to the degree that it makes the organization profitable (Murray, 2016). According to Garavan, McCarthy, and Carbery (2017), it is a theory which is worried about how individuals in an organization contribute their insight, expertism, and capacities to upgrading authoritative ability and the essentialness of that commitment. Organizations can utilize human asset administration in an assortment of approaches to expand their human capital for instance; they can purchase human capital in the market by offering attractive remuneration or within the organization by offering employees training and development opportunities (Murray, 2016).

In Becker’s view, human capital is straightforwardly valuable in the creation procedure (King, 2016). All the more unequivocally, human capital builds a specialist's efficiency in all undertakings, however potentially differentially in various assignments, associations, and circumstances. In this view, in spite of the fact that the part of human capital in the creation procedure is very required, there is a sense in which we can consider it spoken to by a unidimensional object, for example, the supply of information or aptitudes, and this stock is specifically part of the generation work (King, 2016).

The human capital theory is associated with knowledge management as it refers to notions of human, social and organizational or structural capital (Garavan, McCarthy & Carbery, 2017). The theory considers human capital as an asset which forms a source of distinct competitive advantage and distinguishes the performance of one firm from the other. In this research, the theory was used as a critical driver of innovation and competitive advantage in today’s knowledge-based economy. In this regard, knowledge management provides the strategies for obtaining, growing and sustaining human capital in organizations (Murray, 2016). This implies that successful implementation of the knowledge management processes in an organization ensures proper acquisition and growth of human capital which in turn improves performance.

Learning Organization Theory

Siemens (2014) describes learning as detecting and correcting errors. To correct a mistake, an individual must concede that he/she committed an error. In the greater part of our organizations, an error is seen as an individual error (Siemens, 2014). Numerous execution
assessment frameworks stress the rate of error and constraining the quantity of mistakes, additionally making a culture where denying mistakes is in the person’s best advantage.

According to Harasim (2017), Learning organizations are organizations where individuals consistently extend their ability to make the outcomes they genuinely want, where new and broad examples of reasoning are supported, where aggregate desire is set, and where individuals are constantly figuring out how to see the entire together. Learning organizations are described by total worker contribution during the time spent cooperatively, all things considered responsible change coordinated towards shared qualities or standards (Harasim, 2017).

They can be depicted as a hierarchical culture in which singular advancement is a need, outdated and incorrect mindsets are effectively distinguished and remedied, and the reason and vision of the organizations are comprehended and bolstered by the entirety of its individuals. Inside this structure, the utilization of framework thinking empowers individuals to perceive how the association functions; to shape an arrangement; and to cooperate straightforwardly, in groups, to accomplish that arrangement (Siemens, 2014).

The underlying rationale for learning organizations is that in circumstances of quick change just those that are adaptable, versatile and gainful will exceed expectations. For this to happen, it is contended, associations need to find how to tap individuals' responsibility and ability to learn at all levels. According to this theory, a learning organization has the following five characteristics: systems thinking, personal mastery, mental models, shared vision and team learning (Siemens, 2014). In this research, the theory will be used as an approach to make the organization versatile to the external condition and ceaselessly upgrade its abilities to change and adjust through the advancement of group and also singular learning and by utilizing the aftereffects of figuring out how to accomplish better outcomes. In this respect, knowledge management processes safeguard the knowledge of the employee hence creating a competitive advantage.

**EMPIRICAL REVIEW**

It is argued that an organization can enjoy the sustainable competitive advantage if it embeds knowledge in its products and services (Benn, Dunphy & Griffiths, 2014). More attention nowadays is turned into knowledge management (KM) to increase organizational performance. Therefore, a wide range of methodologies and techniques have been researched and proposed for how learning ought to be figured out how to make associations more viable and productive. Zwain, Teong, and Othman (2014) did a study on how knowledge management process affects academic performance in higher institutions of education in Iraqi. Both survey and cross-sectional research design was used and testing of hypotheses was done using correlation and regression analysis methods. The study found that there was a great significance of knowledge management to Iraqi higher-education institutions.

Abdel, Gawaher, and Mohamed (2013) investigated the role of knowledge management in enhancing organizational performance in Egyptian organizations, using the questionnaire to
collect the required information. The study sought to give a comprehension of variables that are engaged with executing information administration idea to improve hierarchical execution and give an evaluation device that encourages associations to survey their insight administration capacities. For this situation, it looked to recognize the conceivable existing holes in their insight administration frameworks and recommend the conceivable approaches to improve authoritative execution. The outcome demonstrates that all components of information administration capacities have a critical positive association with all proportions of the execution at 1% level of criticalness; it implies that there is an awesome relationship between learning administration abilities and authoritative execution.

Abebe and Onyisi (2016) studied the effect of knowledge management on sustainable competitive advantage among charitable organizations in Kenya. The study adopted a descriptive case study, and both the primary and secondary data were collected using triangulation, structured questionnaire, interviews and documents analysis. The finding showed that knowledge management has a strong positive correlation with sustainable competitive advantage. A study by Birasnav (2014) examined the relationship between transformational and transactional leadership, knowledge management (KM) process, and organizational performance. The population of the study was services firms and the total number of respondents was 119 respondents comprising of human resource managers and general managers. The data analysis methods were both the exploratory factor analysis and hierarchical regression analysis. The study revealed that transformational leadership was strongly correlated to knowledge management processes and the performance of the organization.

In the research of Noruzy, Dalfard, Azhdari, Nazari-Shirkouhi and Rezazadeh (2013) sought to examine the relationship between transformational leadership and organizational performance. The study targeted 106 Iranian manufacturing firms and the total number of respondents who participated in the study was 280. Structural equation modeling was used to analyse data and the findings show a positive and significance between the variables under study. Katsuro, Mapira, Mangava and Chimbindi (2013) sought to find the impact of knowledge management on organizational performance. The research used a case study approach in which a sample of 60 employees out of a population of 100 employees was used. The targeted population was stratified into departments, and simple random sampling procedure was used to come up with the departmental representatives who were then added together to make the final 60 sample elements. Questionnaires and interviews were used in collecting data from the sample population. In this regard, the research found that knowledge management can be negatively affected once there is a culture that does not embrace learning and knowledge sharing.

Aminga (2013) study investigated on how knowledge management practices affects organizational performance at selected campuses of Kisii University. This was a case study in which data were collected through questionnaire and interviews. Questionnaire respondents were selected through stratified random sampling while interview respondents were
purposively selected. The study established that knowledge management policies have a healthy and positive effect on organizational performance.

Villar, Alegre, and Pla-Barber (2014) sought to establish the role of knowledge management practices on export intensity in SMEs in a mature and global, non-high-tech industry. A quantitative study with structural equation modeling was carried out on a sample of 157 Spanish and Italian manufacturing companies. The study found a significance effect on dynamic capabilities on export which showed that knowledge management implementation in important but its not significance to enhancing exports processes which necessitates the need for more convincing abilities in the reconfiguration of such knowledge.

Ngahu (2017) sought to investigate trends in the dimensions of low, medium, and high knowledge management (KM) capability of business process outsourcing (BPO) firms and explore the trends in BPO performance with different levels of KM capabilities of BPO firms. A survey was employed to collect data on managers from 605 firms. K-means cluster analysis was performed on the aggregate measures of the four KM capability dimensions and BPO performance to reveal trends. Subsequently, MANOVA was used to evaluate the effects of four firm characteristics on KM capability, and individual ANOVA tests were performed to examine the specific differences among the four dimensions. They found that each dimension of knowledge management capability has a positive effect on business process outsourcing performance. Knowledge application was found to be the most significant dimension correlated to business process outsourcing performance. They concluded that knowledge management capability is an effective tool to enhance performance as it provides organizations with competitive advantages that make it difficult for competitors to imitate.

Ahmed, Fiaz, and Shoib (2015) study empirically focused on the influence of knowledge management practices on organizational performance. The study target population was the banking sector in Pakistan. The study methodology involved a survey design, questionnaires and descriptive statistics. The study established that through knowledge management practices the organization is able to provide quality services to its clients utilize its resources efficiently, gain more profit hence improve its overall performance.

Nnabuife and Ojukwu (2015) studied the extent to which knowledge management improves the performance of selected commercial banks in Awka Nigeria. The study was explicitly set out to determine if there is a significant relationship between knowledge identification and organizational performance. It also examined the extent to which knowledge acquisition affects the performance of an organization. This study employed a descriptive research design; the primary source of data was the primary instrument used for this study. Pearson’s product moment correlation was used to analyze the data. The findings revealed knowledge identification positively and significantly influences the performance of an organization.

Also, Ha, Lo and Wang (2016) investigated the effects of knowledge management on firm performance. The study employed explanatory research design, and the target population was a census of 133 banks branch managers within the three towns; Nakuru, Eldoret, Kisumu. Data was collected through a five-point Likert scale structured questionnaire and was
analyzed quantitatively using descriptive statistics and multiple regression models. The study findings indicate that knowledge management is vital in improving the organizational performance.

A study by Birasnav (2014) sought to investigate the role of transformational leadership and knowledge-management processes on the organizational innovation. The importance of examining organizational innovation has been confirmed in various studies. The design of the present study is descriptive (correlation, causal). The sample of this study comprised of 256 members of administrative staffs of the Mazandaran University of Medical Sciences, who were selected by simple random sampling. The results of this study revealed that transformational leadership has a positive and meaningful effect on the knowledge-management processes and the organizational innovation. Also, it was found that the knowledge-management processes have a mediating role between transformational leadership and organizational innovation.

**RESEARCH METHODOLOGY**

**Research Design**

This study adopted a descriptive research design to establish the effect of knowledge management on organizational performance in microfinance institutions in Kenya. According to Riff, Lacy, and Fico (2013), a descriptive study is concerned with finding out who, what, where and how of the variables, which was the concern of this research. Further, Yin (2013) emphasized that a descriptive analysis is concerned with specific predictions, with the narration of facts and characteristics concerning individual, group or situation. In this study, the effect of Knowledge Management on organizational performance was the situation under investigation. The design was favored since it is precisely intended to guarantee the final depiction of the circumstance, ensuring that there is least inclination in the accumulation of information and to minimize errors in translating the information gathered.

**Target Population**

This study targeted 111 employees of Uwezo Microfinance Bank. The target population included the senior level managers, middle-level managers, operation level managers and even the general staff members across the following departments: HR, Operations, accounting and finance, IT, public relations and marketing and sales. In total, the target population will constitute 111 employees.

**Sample and Sampling Technique**

Sampling design makes it possible for the researcher to draw generalization and inference by including a limited portion of the population and making careful observations of the variables in play (Kombo & Tromp, 2006). The sample size will be computed using Cooper and Schindler’s formula provided below, where N is the size of the population, n is the sample size, and e is the error at 95% confidence level and 5% level of significance. In this regard,
87 employees from Uwezo Microfinance Bank will constitute the sample population from a target population of 111 employees. There the study adopted a sample size of 87 respondents.

\[
n = \frac{N}{(1 + N(e))^2} = \frac{111}{(1 + 111(0.05))^2} = 87
\]

**Data Collection Instrument and Procedure**

The main data collection instrument in this study was a semi-structured questionnaire that contained both closed-ended and open-ended questions. The questionnaire was split into five sections; section A to Section F. Section A will be used to elicit the general information of the respondents, section B will elicit information regarding organizational performance, section C will capture information regarding the first variable in the study, section D; the second variable in the study, section E; the third variable in the study and section F; the fourth variable in the study. The researcher personally delivered the questionnaires to the respondents, and where it is not possible, the questionnaire will be emailed to the respondents. In this case, 87 questionnaires were issued. The respondents were given substantial time (at least one week) to complete filling in the questionnaires before the researcher retrieves them back from the respondents.

**Data Analysis and Presentation**

Quantitative data obtained from the questionnaires was first put into a meaningful format and cleaned to ensure that that data is reliable for analysis and then analyzed using descriptive statistics such as mean and standard deviation. Tables, frequencies, graphs and charts were generated using Statistical Package for Social Sciences (SPSS) version 20.0 to present the findings. The researcher, in this case, adopted a multiple regression model at 5 percent level of significance and 95 percent level of confidence to establish the direction of the association between the independent variables (knowledge obtaining, knowledge conversion, knowledge protection and knowledge application) and the dependent variable (organizational performance). In this case, the regression equation was expressed as:

\[
Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \quad \text{............... (i)}
\]

Where: \(Y\) = Organizational performance; \(\beta_0\) = coefficient of intercept; \(X_1\) = Knowledge obtaining; \(X_2\) = Knowledge conversion; \(X_3\) = Knowledge protection; \(X_4\) = Knowledge application; \(\varepsilon\) = error term; \(\beta_1\ldots\beta_4\) = regression coefficients of the independent variables

**RESEARCH RESULTS**

The main data collection instrument in this study was a semi-structured questionnaire that contained both closed-ended and open-ended questions. The data collected was cleaned, coded and systematically organized in a manner that facilitates analysis using the Statistical
Package for Social Sciences (SPSS v20). Quantitative analysis was analyzed through descriptive statistics such as a measure of central tendency that generated relevant frequency counts, mode, and median, mean and standard deviation where possible. To test for the strength of the model and the effect of knowledge management on organizational performance in Microfinance institutions in Kenya, the study conducted a regression analysis and Analysis of Variance (ANOVA). This study sampled a total of 87 respondents from Uwezo Microfinance Bank. The target population included the senior level managers, middle-level managers, operation level managers and even the general staff members across the Human resource management departments, Operations, accounting and finance, Information Technology, public relations and marketing and sales departments.

The general objective of the study sought to assess the effect of knowledge management on organizational performance in Microfinance institutions in Kenya. The specific objectives of the study were; i) To determine the effect of knowledge acquisition on the performance of microfinance institutions in Kenya, ii) To establish the effect of knowledge conversion on the performance of microfinance institutions in Kenya, iii) To find out the effect of knowledge protection on the performance of microfinance institutions in Kenya, and iv) To establish the effect of knowledge application on the performance of microfinance institutions in Kenya. The following is a summary of the significant findings:

The correlation findings show that knowledge acquisition is related to performance of microfinance institutions in Kenya (r =0.842, p<0.05), knowledge conversion is related to performance of microfinance institutions in Kenya (r=0.746, p<0.05), knowledge protection are related to performance of microfinance institutions in Kenya (r=0.905, p< 0.05), knowledge application is related to performance of microfinance institutions in Kenya (r=0.594, p<0.01) and the relationship is statistically significant. This implies that all the variables had a positive and significant correlation with the performance of microfinance institutions in Kenya.

Statistics from the model summary (adjusted R2 = 0.641) shows that there are a 64.1% variations in performance of microfinance institutions in Kenya as a result of knowledge acquisition, knowledge conversion, knowledge protection and knowledge application. The probability value of 0.000 indicates that the regression relationship was highly significant in predicting how knowledge acquisition, knowledge conversion, knowledge protection and knowledge application affected the performance of microfinance institutions in Kenya. The F calculated at 5 percent level of significance was 49.293 since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was significant.

The regression equation above has established that taking all factors into account (knowledge acquisition, knowledge conversion, knowledge protection and knowledge application) constant at zero performance of microfinance institutions in Kenya was 0.987. Overall, the findings indicate that knowledge protection had the greatest effect on the performance of microfinance institutions in Kenya, followed by knowledge acquisition, then knowledge conversion while knowledge application had the least effect to the performance of microfinance institutions in Kenya. All the variables were significant (p<0.05) with
knowledge conversion and knowledge protection being the most significant (p=0.0000) followed by knowledge acquisition (p=0.0003) while knowledge application was the least significant (p=0.0023). The findings are in line with Earl (2011) who conducted a study to establish on effective knowledge management model from the perspective of organizational capabilities. This perspective suggests that a knowledge infrastructure consisting of technology, structure, and culture along with knowledge process architecture of acquisition, conversion, application, and protection are essential organizational capabilities or preconditions for effective knowledge management.

The first objective of the study was to determine the effect of knowledge acquisition on the performance of microfinance institutions in Kenya. The findings of this study revealed that knowledge acquisition significantly affects the performance of microfinance institutions in Kenya. The study established that Intellectual capital development and Knowledge dissemination have great influence on organizational performance, while Development and sustenance of expertise and Development of knowledge have a moderate influence on organizational performance. According to Lopez et al (2014), the focus of the individual is on the acquisition of knowledge, shared understanding is achieved via interpretations, diffusion is via distribution among organizational members and embeddedness comes via organizational memory, systems, and rules.

The second objective of the study was to establish the effect of knowledge conversion on the performance of microfinance institutions in Kenya. The analysis of the findings deduced that knowledge conversion significantly influences the organizational performance of Microfinance Institutions in Kenya. Furthermore, the aspects of knowledge management such as combination were established to have a great influence on organizational performance. Other aspects such as socialization, internalization, and externalization have also a moderate influence on the performance of Microfinance Institutions in Kenya. This resultcorrelated with Tsoukas (2013) suggests that knowledge conversions occur when people engage in practical activities through participation in social practices, under the guidance of people who are more experienced. In addition, Hildreth and Kimble (2012) emphasize the importance of a mentor in the organization who has a lot of tacit knowledge and who guides the newcomer in learning this tacit knowledge through practice.

The third objective of the study was to find out the effect of knowledge protection on the performance of microfinance institutions in Kenya. The findings of the study showed that knowledge protection had a great effect on the performance of Microfinance Institutions in Kenya. The study is supported by Kelleher, (2010) who indicated that Intellectual property management is mainly an explicit-to-explicit knowledge conversion. It is based on knowledge repositories and, thus, deals with all aspects of knowledge storage, organization and knowledge distribution in a controlled way. The analysis also showed, most of the Microfinance Institutions use technical protection in their organization furthermore, it was affirmed by the study that strategic protection greatly influences the performance of Microfinance Institutions in Kenya. Other aspects such as juridical protection, Technical protection, Digital product data protection and Organizational Protection were found to have a moderate effect
on the performance of Micro-finance institutions in Kenya. These findings are in conjunction with Haberfellner, Daenzer, and Becker (2012) who noted that organizational and juridical protection means are not capable of solving the goal conflict and the piracy and plagiarism situation alone.

The fourth and last objective of the study was to establish the effect of knowledge application on the performance of microfinance institutions in Kenya. This study established knowledge applications affect the performance of Micro-finance institutions in Kenya to a great extent. This finding is in accordance with Blumentritt and Johnston (2009) who suggested that in order to gain competitive advantages; organizations need to enhance the information-knowledge application especially through the implementation of IT-based improvements. Furthermore, the study noted that individuals, organization culture, and identity, policies and documents which are attributes of knowledge application greatly influence the performance of Micro-finance institutions in Kenya. According to Ahmad and An (2013), with the successful application of useful knowledge, industrial companies can improve the process of organizational learning to enhance performance and create more possibilities to gain competitive advantages for the organization. The analysis also showed that routines and systems have a moderate effect. The findings are supported by a study of Marwick (2011) who illustrated that efficient and effective knowledge management typically requires an appropriate combination of organizational, social, and managerial initiatives along with the deployment of appropriate technology for application of knowledge.

INFERENTIAL STATISTICS

The Pearson product-moment correlation coefficient (or Pearson correlation coefficient) is a measure of the strength of a linear association between two variables and is denoted by r. The Pearson correlation coefficient, r, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association, that is, as the value of one variable increases so does the value of the other variable. A value less than 0 indicates a negative association.

Table 1: Bivariate Correlation Matrix

<table>
<thead>
<tr>
<th>Performance of microfinance institutions</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Knowledge acquisition</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Knowledge conversion</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Knowledge protection</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Knowledge application</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of microfinance institutions</td>
<td>1</td>
<td></td>
<td>Knowledge acquisition</td>
<td>0.842</td>
<td>0.001</td>
<td>Knowledge conversion</td>
<td>0.746</td>
<td>0.000</td>
<td>Knowledge protection</td>
<td>0.905</td>
<td>0.000</td>
<td>Knowledge application</td>
<td>0.594</td>
<td>0.15</td>
</tr>
<tr>
<td>Knowledge acquisition</td>
<td></td>
<td></td>
<td></td>
<td>0.960</td>
<td></td>
<td></td>
<td>0.950</td>
<td></td>
<td></td>
<td>0.953</td>
<td></td>
<td></td>
<td>0.917</td>
<td></td>
</tr>
<tr>
<td>Knowledge conversion</td>
<td></td>
<td></td>
<td></td>
<td>0.000</td>
<td></td>
<td></td>
<td>0.950</td>
<td></td>
<td></td>
<td>0.900</td>
<td></td>
<td></td>
<td>0.937</td>
<td></td>
</tr>
<tr>
<td>Knowledge protection</td>
<td></td>
<td></td>
<td></td>
<td>0.923</td>
<td></td>
<td></td>
<td>0.953</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge application</td>
<td></td>
<td></td>
<td></td>
<td>0.896</td>
<td></td>
<td></td>
<td>0.953</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The correlation findings show that knowledge acquisition is related to the performance of microfinance institutions in Kenya (r =0.842, p<0.05). This implies that knowledge acquisition affects the performance of microfinance institutions in Kenya and the relationship is statistically significant. In addition, the study reveals that knowledge conversion is related to the performance of microfinance institutions in Kenya (r=0.746, p<0.05) implying that knowledge conversion affects the performance of microfinance institutions in Kenya and the relationship is statistically significant. Further, the study reveals that knowledge protection is related to the performance of microfinance institutions in Kenya (r=0.905, p< 0.05) implying that knowledge protection affects the performance of microfinance institutions in Kenya and the relationship is statistically significant.

Finally, the study established that knowledge application is related to the performance of microfinance institutions in Kenya (r=0.594, p<0.01) implying that knowledge application affects the performance of microfinance institutions in Kenya and the relationship is statistically significant. This implies that all the variables had a positive and significant correlation with the performance of microfinance institutions in Kenya.

Regression analysis shows how the dependent variable is influenced by independent variables.

**Table 2: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.809a</td>
<td>0.655</td>
<td>0.641</td>
<td>0.122</td>
</tr>
</tbody>
</table>

Table 2 is a model fit which establishes how fit the model equation fits the data. The adjusted R2 was used to establish the predictive power of the study model and it was found to be 0.641 implying that 64.1% of the variations in performance of microfinance institutions in Kenya is explained by knowledge acquisition, knowledge conversion, knowledge protection and knowledge application leaving 35.9% percent unexplained. Therefore, further studies should be done to establish the other factors (35.9%) affecting the performance of microfinance institutions in Kenya. This concurs with Serban and Luan (2011) who noticed that powerful information administration helps in change administration, affecting business methodology, and a large group of other high-esteem included exercises that effect hierarchical viability.

**Table 3: ANOVA Results**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>3.041</td>
<td>4</td>
<td>0.760</td>
<td>49.293</td>
<td>0.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>1.604</td>
<td>104</td>
<td>0.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.645</td>
<td>108</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Knowledge Acquisition, Knowledge Conversion, Knowledge Application, Knowledge Protection.
The probability value of 0.000 indicates that the regression relationship was highly significant in predicting how knowledge acquisition, knowledge conversion, knowledge protection and knowledge application affected the performance of microfinance institutions in Kenya. The F calculated at 5 percent level of significance was 49.293 since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was significant.

Table 4: Regression Coefficients

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>6.902</td>
<td>.000</td>
</tr>
<tr>
<td>Knowledge Acquisition</td>
<td>0.722</td>
<td>3.684</td>
<td>0.0003</td>
</tr>
<tr>
<td>Knowledge Conversion</td>
<td>0.663</td>
<td>5.867</td>
<td>0.0000</td>
</tr>
<tr>
<td>Knowledge Application</td>
<td>0.873</td>
<td>5.899</td>
<td>0.0000</td>
</tr>
<tr>
<td>Knowledge Protection</td>
<td>0.511</td>
<td>3.154</td>
<td>0.0023</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance

The established model for the study was: \( Y = 0.987 + 0.722 X_1 + 0.663 X_2 + 0.873 X_3 + 0.511 X_4 \)

The regression equation above has established that taking all factors into account (knowledge acquisition, knowledge conversion, knowledge protection and knowledge application) constant at zero performance of microfinance institutions in Kenya was 0.987. The findings presented also show that taking all other independent variables at zero, a unit increase in the knowledge acquisition would lead to a 0.722 increase in the scores of performance of microfinance institutions in Kenya and a unit increase in the scores of knowledge conversion would lead to a 0.663 increase in the scores of performance of microfinance institutions in Kenya. Further, the findings show that a unit increases in the scores of knowledge protection would lead to a 0.873 increase in the scores of the performance of microfinance institutions in Kenya.

The study also found that a unit increase in the scores of knowledge application would lead to a 0.511 increase in the scores of the performance of microfinance institutions in Kenya. Overall, knowledge protection had the greatest effect on the performance of microfinance institutions in Kenya, followed by knowledge acquisition, then knowledge conversion while knowledge application had the least effect to the performance of microfinance institutions in Kenya. All the variables were significant (p<0.05) with knowledge conversion and knowledge protection being the most significant (p=0.0000) followed by knowledge acquisition (p=0.0003) while knowledge application was the least significant (p=0.0023). The findings are in line with Earl (2011) who conducted a study to establish a powerful information administration demonstrates from the point of view of hierarchical abilities. This point of view recommends that an information foundation comprising of innovation, structure, and culture alongside learning process design of obtaining, transformation, application, and assurance are fundamental hierarchical abilities or preconditions for viable knowledge management.
CONCLUSIONS

Based on the research findings, the study concludes that knowledge management processes capability is key to achieving the performance of microfinance institutions in Kenya. Knowledge management processes capability promotes knowledge acquisition in microfinance institutions in Kenya, knowledge conversion, knowledge protection, as well as knowledge application in the microfinance institutions in Kenya. The study further concludes that knowledge acquisition positively and significantly affects the performance of Microfinance institutions in Kenya. The study found that Intellectual capital development and Knowledge dissemination had a high influence on the performance of Microfinance institutions in Kenya while development and sustenance of expertise and development of knowledge had a moderate influence on organizational performance. The study affirms that knowledge conversion positively and significantly influences the organizational performance of microfinance institutions. The combination, as well as other aspects such as socialization, internalization, and externalization, influenced the performance of microfinance institutions in Kenya. The study also concludes that knowledge protection is vital for the proper performance of microfinance organizations. The institutions that used technical protection, strategic protection, juridical protection, digital product data protection and organizational Protection were found to have a high-performance level than those who don’t. The research finally concludes that knowledge applications had a significant effect on the performance of microfinance institutions in Kenya. The study found out that the microfinance institutions have impressed attributes of knowledge applications such as individuals, organization culture, and identity, policies and documents in their organization which had resulted in improved performance. However, routines and systems were found to have less influence on the performance of microfinance organizations. The study finally concludes that knowledge protection had the greatest effect on the performance of microfinance organizations, followed by knowledge acquisition, then knowledge conversion while knowledge application had the least effect to the performance of microfinance organizations in Kenya. This notwithstanding, all the study variables were significant (p<0.05).

RECOMMENDATIONS

The results of this research have policy propositions on the performance of microfinance institutions in Kenya. As supported by the research findings, Knowledge is a key contributor to organizational performance as well as a sure value addition to consumers. Consequently, from the results of this study, the subsequent recommendations were made;

To enhance the level of KM microfinance institutions in Kenya, the study makes the following suggestions; Managers of microfinance institutions in Kenya should understand and develop a better way of implementing an overall KM which is composed of acquisition, conversion, protection, and processes. These correlated and complementary capabilities should not be considered in isolation but rather should be integrated and combined to leverage, exploit and sustain a performance of microfinance institutions in Kenya. The managers of microfinance institutions in Kenya should improve knowledge acquisition in their organization. They should apply intellectual capital development and Knowledge...
dissemination to a higher extent since it has a high influence on organization performance. The managers of microfinance institutions in Kenya should coordinate and synchronize internalization, externalization, and socialization in the organization in order to establish their significant effect on the performance of the organization. At the same time, they need to keep in mind that cultural attributes are also of the most important to social infrastructure capability and also exert the most influence on other capabilities. On knowledge conversion, the study recommends that seniors in microfinance institution should clearly support the role of knowledge in corporate success, make sure that their employees understand this issue and more importantly, encourage them to participate in on-the-job training and learning, as well as in capturing and transferring knowledge. Regarding human skills, business managers must emphasize employee understanding of their own and others tasks, develop their expertise, and enable them to communicate well with all other organizational members. The managers should impress knowledge protection such as technical protection, strategic protection, juridical protection, digital product data protection and organizational Protection in their institutions in order to enhance knowledge protection in their organization. They must build up an organizational design which enables the creation of new knowledge, knowledge exchange and transfer across functional boundaries. At the same time, knowledge needs to be frequently examined for errors and mistakes. Managers also need to take advantage of the technological capability to support knowledge application processes. In particular, organizations should use technology to map the location of specific types of knowledge, thereby facilitating the application and sharing of knowledge. Technology also should be connected to encourage individuals in different areas to take in as a gathering from a solitary or numerous assets and a single or various focuses in time. Thusly, social and specialized infrastructural components can supplement each other and meet up to improve learning focused procedures. The study finally, recommends that microfinance institutions should base its performance on knowledge creation. Organization’s managers should continue to examine knowledge for errors/mistakes frequently. The study also recommends that managers of microfinance institutions in Kenya should come up with a standardized reward system for sharing knowledge.

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