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Knowledge Sharing and Diffusion Strategies in Savings and Credit Cooperatives in Kenya

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Abstract

Successful SACCOs generate, share and diffuse unique knowledge within their value chains. This study investigated the strategies successful SACCOs use to share and diffuse the knowledge they generate or gather as a means of enhancing their sustainability. Data for this study was collected through structured interviews from 30 employees of select successful SACCOs in Kenya using online structured questionnaires. The SACCOs were selected based on their annual financial turnover, membership size and staff establishment. Additional data was collected from relevant organisational as well as government and other reports. The findings show that SACCOs in Kenya currently hold knowledge in the form of business products and services; legal and compliance requirements; operational knowledge; markets; relational knowledge on networks and contacts; and institutional memory. Discussion forums and conferences are the most popular knowledge sharing strategies used by successful SACCOs in Kenya while the least popular strategies are storytelling, knowledge café; log files; exit interviews; and demonstrations. Mobile phones are the most popular tools used by SACCOs for knowledge sharing and diffusion. Organisational culture and leadership greatly influence knowledge sharing and diffusion in SACCOs in Kenya.

Keywords: Knowledge management, knowledge sharing, knowledge diffusion, savings, credit, cooperatives.

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INTRODUCTION

Lari (2009) defines a Savings and Credit Cooperative (SACCO) as a type of cooperative which pools savings for its members and provides them with credit facilities. Mwangi and Wambua (2016) identify the other objectives of SACCOs to include encouraging savings amongst the members and encouraging them to invest and manage their resources effectively. Kuria (2011) argues that although SACCOs offer

diverse services, savings and credit products are dominant in Kenya.

According to the bylaws of the Kenya Union of Savings and Credit Cooperatives (KUSCCO), SACCOs in Kenya are guided by the cooperative principles developed by the International Cooperative Alliance (ICA). The principles are voluntary and open membership; democratic member control; economic participation by members; autonomy and independence; education,

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training and information; cooperation among cooperatives; and concern for the community (KUSCCO, 2016). Thus, SACCOs are organisations owned by the members and serve their general and specific socioeconomic development interests. There are about 5,000 SACCOs in Kenya (Chumo 2013), with approximately 6 million SACCO members who are benefitting from diverse services and products (Mwangi and Wambua 2016).

Kobia (2011) explains that SACCOs in Kenya go back to 1908 when Lumbwa Farmers' Cooperative Society was formed by European farmers to market their farm produce such as cereals, fruits and dairy products. However, Muriuki and Ragui (2013) report that it was not until the 1940s when legal provisions were developed to anchor the cooperatives movement in Kenya and which allowed Africans to join the societies. For instance, the Cooperatives Ordinance was enacted in 1946 and the office of Registrar of Cooperatives created in 1945 to oversee the promotion of farm produce from the colony (Kibanga, 2001). Currently, SACCOs are governed by the SACCO Societies Act (SSA) which is enforced by the SACCO Societies Regulatory Authority (SASRA).

The impact of SACCOs on socio-economic development in Kenya has been of interest to many researchers. Chumo (2013) avers that the SACCO sector is considered as economically and socially important in Kenya. She explains that SACCOs contribute 31% of the country's savings while 63% of the citizens derive their livelihood in one way or another from SACCOs. Mwangi and Wambua (2016) report that the SACCO sector in Kenya employs about 300,000 people directly and 1.5 million people indirectly. Chumo (2013) posits that SACCOs serve the financial needs of a large urban and rural populace in Kenya and encourage their members to save thereby creating or accumulating capital which contributes to economic development of the country.

Chumo (2013) explains that 5% of SACCOs in Kenya collapse every year which she attributes to stiff competition from mainstream financial institutions such as banks; poor leadership given that SACCO members can choose whoever they like without considering their leadership skills; growing portfolio of non-performing loans and associated losses; inadequate regulatory framework causing delays in detecting and mitigating poor performance indicators; poor liquidity affecting prompt disbursement of loans and dividends to the members; unstable membership arising from withdrawals of members; high operational costs resulting from high licensing fees and compliance requirements; low adoption of technologies by the SACCOs management, members and regulators; poor change management exemplified by resistance to change; inadequate physical and technological infrastructure; inadequate internal controls leading to poor compliance; poor policy formulation and/or implementation; inadequate human resources characterised by high turnover and incompetence.

LITERATURE REVIEW

Defining knowledge is a daunting task. Dewey and Bentley (1960) argued that knowledge is a polysemic and an ambiguous term. Sharp (2007) also expresses the difficulty of accurately defining knowledge because the concept is multifaceted, changes over time, varies according to the context in which it is being considered. Therefore, there are many approaches to defining knowledge. Davenport and Prusak (1998) explain that knowledge is a fluid mix of framed experiences, values, contextual information and expert insights which provide a framework for evaluating and integrating new experiences and information. Nonaka, Toyama and Nagata (2000) define knowledge as a dynamic human process of justifying personal belief towards the truth. Sharp (2007) perceives knowledge as the integration and reuse of ideas, experience, skills, intuition and lessons learned that influences how people solve problems, make

decisions and the way they work to continually create tangible outcomes of brand value and business worth. Bechina and Bommen (2006) argue that knowledge sharing is not adequately defined in literature because there is a dearth of scholarly research on the topic. Nonetheless, Davenport and Prusak (1998) define knowledge sharing as the process of making one's knowledge available to others. Argote *et al.* (2003) explain that knowledge sharing is the process through which the experience of one entity influences that of another. Wilhem (2004) defines knowledge sharing as the process of exchanging knowledge between at least two parties in a reciprocal manner thereby allowing reshaping and sense-making of the knowledge in the new context. Husted and Michailova (2002) explain that although many organisations are keen to stimulate knowledge within them, the reality is that many knowledge owners are reluctant to share their knowledge. The factors which influence organisational knowledge sharing include feeling of a sense of reciprocity and fairness; level of mutual trust and confidence; incentives and individual factors such as self-efficacy motivating knowledge owners to share; organisational culture and structure; perceived relative advantage resulting from sharing; perceived compatibility with value systems; as well as compatibility between the donating and receiving parties (Chen & Hung, 2010; Chen *et al.*, 2009; Lin *et al.*, 2009; Rhodes *et al.*, 2008).

Knowledge diffusion is closely related to knowledge sharing. Nonetheless, Chen and Hicks (2004) explain that knowledge diffusion is the process of adopting and applying knowledge to a specific context. Szulanski (2000) argue that knowledge diffusion is a gradual process which ensures that knowledge is transferred effectively from owners to other parties in a knowledge system. It can be assumed, therefore, that knowledge diffusion differs from knowledge sharing in that the former focuses on adoption while the latter is about mere dissemination. Diffusion can lead to acceptance or rejection

of knowledge depending on the perception of its applicability. Indeed, Ernst and Kim (2002) assert that knowledge diffusion only occurs when the knowledge transferred is internalised and translated into a capability. Huang *et al.* (2007) posit that knowledge diffusion is a means of transferring invisible knowledge from a source and translating it into visible knowledge thereby leading to valuable production. According to Feder *et al.* (2004), the factors which influence knowledge diffusion include the communication channels used; the perceived simplicity or complexity of the knowledge; as well as the cost-effectiveness of the process and technologies used to diffuse knowledge.

Research Problem: SACCOs operate in a risky business environment with high default and fraud rates compounded with stiff competition for members. Successful SACCOs generate, share and diffuse unique knowledge within their value chains. Literature review reveals no research on the use of organisational knowledge as a competitive advantage amongst SACCOs. Existing studies investigated regulatory compliance and governance (Chumo, 2013; Muriuki & Ragui, 2013); challenges SACCOs face (Kobia, 2013); financial management and reporting in SACCOs (Lari, 2009); performance management (Mwangi & Wambua, 2016); as well as strategy formulation and implementation (Saidi, 2010). Whereas all the studies identify lack of adequate competencies to perform key functions as a major challenge in SACCOs in Kenya, no study has been conducted on how to stimulate knowledge creation, sharing and diffusion in the organisations. Indeed, SACCOs in Kenya do not seem to recognise the role of knowledge management in facilitating them to not only survive but also to thrive in the challenging environment in which they operate. The purpose of this study was to investigate the strategies SACCOs in Kenya use to share and diffuse the knowledge they generate or gather as a means of enhancing their competitiveness and

sustainability. The specific objectives of the study were to examine the types of knowledge SACCOS in Kenya generate; the strategies the organisations use to share and diffuse their knowledge; the tools the SACCOS use to share and diffuse their knowledge; and the factors which influence knowledge sharing and diffusion in SACCOS in Kenya.

Theoretical and conceptual framework:

This study applied the Socialisation, Externalisation, Combination and Internalisation (SECI) knowledge management model (Figure 1). This model was developed by Nonaka and Takeuchi in 1995 (Hoe, 2006; Gourlay, 2006) to explain how highly successful firms create and share knowledge. The model provides a framework for managing various knowledge transfer or translation processes as a means of adding value to organisational knowledge. The first phase, socialisation, entails the creation and exchange of tacit knowledge in informal setups while the second phase involves the exposure and conversion of tacit into explicit, documented knowledge. The third phase entails combining and validating different

final phase involves the sharing and diffusion of organisational knowledge thereby facilitating the conversion of explicit knowledge to tacit knowledge. An improved version of the model was proposed by Nonaka and Konno (1998) to underscore the role organisational factors play in the knowledge creation and sharing process. The improved model introduced the “ba”¹ concept thereby emphasising the role physical, social, psychological and technological factors in an organisation play in organisational knowledge creation, sharing and diffusion processes. This model was used in this study to identify the types of organisational knowledge SACCOS hold as well as how the same is shared and diffused in the organisations. The “ba” concept was applied to investigate the factors which influence knowledge sharing and diffusion in SACCOS in Kenya.

METHODS

This study was designed as a cross-sectional survey. According to Olatundun (2009), a cross-sectional survey enables researchers to investigate and interpret research issues at a particular time. According to Kothari (2004), cross-sectional surveys enable researchers to analyse, describe and interpret prevailing conditions of a research phenomenon at a particular time. This study used a cross-sectional survey research design because the authors had no control over the research variables and could only analyse, describe and interpret them as they were. Data for this study was collected through structured interviews with employees of select successful SACCOS in

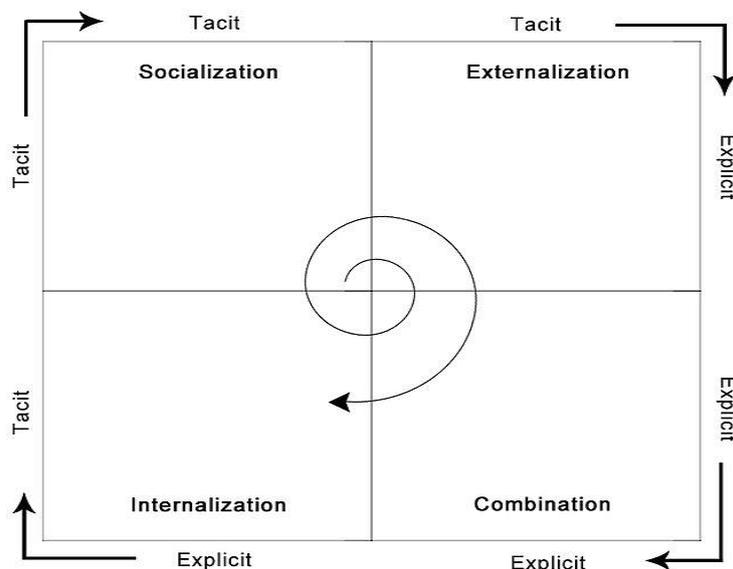


Figure 1: SECI model

forms of explicit knowledge to generate tangible organisational knowledge bases. The

Kenya using online structured questionnaires. Ten SACCOS were selected based on their annual financial turnover,

¹ Ba is a Japanese word meaning place.

membership size and staff establishment. For purposes of confidentiality, the SACCOs involved are not named. All 30 employees performing knowledge management functions in the SACCOs were selected using information-oriented purposive sampling to participate in the study. The link to an online interview guide, hosted on Google Forms, was circulated to the respondents using email. The responses to the interview questions were collected and analysed on Google Forms. Additional data was collected through documentary analysis of relevant literature.

FINDINGS AND DISCUSSION

A total of 28 usable responses were registered. This represented a response rate of 93%. The high response can be attributed to the fact that the researchers used personalised appeals to the respondents.

Types of knowledge shared in SACCOs:

Knowledge shared in the SACCOs include business products and services (21.1%); legal and compliance requirements (21.1%); operational knowledge (19.3%); markets (15.8%); relational knowledge on networks and contacts (14%); and institutional memory (8.8%). These findings indicate that most SACCOs are greatly concerned about knowledge that enables them to design, develop or deploy competitive products and

services. The fact that legal and compliance knowledge is rated the same with business products and services indicates that most SACCOs do not easily access knowledge on the theme. It may also imply that many SACCOs do not operate within the within acceptable legal and compliance thresholds and are looking out for ways of circumventing them. Thus, they are seeking knowledge on how best not to comply without being caught. Operational knowledge relate to day-to-day activities, processes and policies which guide the business of SACCOs. It is strange that institutional memory is ranked last yet high staff turnover is one of the biggest challenges SACCOs in Kenya face. This implies that SACCOs have not put in places mechanisms of ensuring that organisational knowledge is retained as institutional memory when staff leave. This is a major knowledge gap which should be addressed urgently.

Knowledge sharing strategies used by SACCOs:

The findings are as shown in Figure 2. It is evident from the findings that discussion forums and conferences are the most popular knowledge sharing strategies used by SACCOs in Kenya. The popularity of these strategies may be due to the fact that they use socialisation and informal interactions to pass unique knowledge. Discussions and conferences are also used to

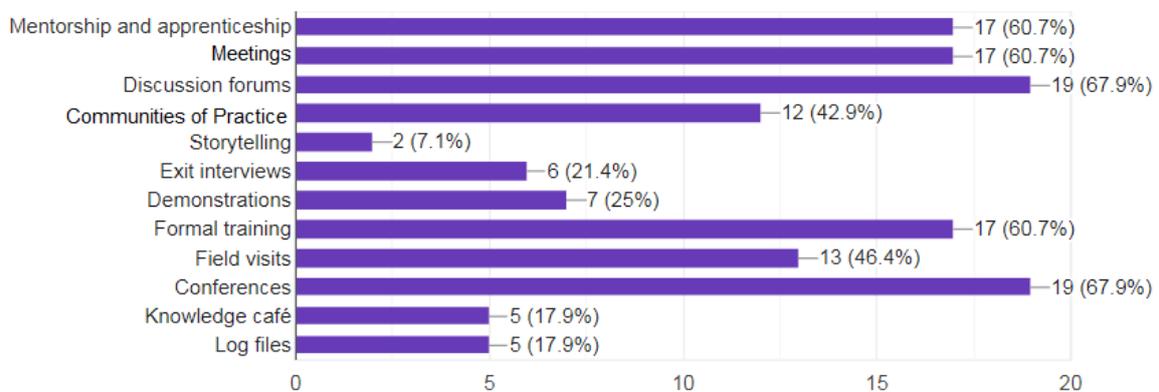


Figure 2: Knowledge sharing and diffusion strategies used by SACCOs in Kenya

Source: Research Data

address specific knowledge gaps and are therefore useful for problem solving, product

innovation and development, as well as networking and alliance building. The other popular knowledge sharing and diffusion

strategies include mentorship and apprenticeship; meetings in the form of brown bags, happy hours and staff meetings; and formal training.

The least used strategies are storytelling, knowledge café; log files; exit interviews; and demonstrations. Log files and demonstration may not be popular because SACCOs do not use a lot of equipment. However, it is unclear why storytelling, knowledge café and exit interviews are not popularly used. It is probable that the SACCOs are not aware of these knowledge sharing and diffusion strategies.

Knowledge sharing tools in SACCOs:

Figure 3 presents the tools SACCOs in Kenya use to share and diffuse knowledge. It is not surprising that mobile phones are the most popular tools used for knowledge sharing and diffusion. This is perhaps because mobile phone penetration in Kenya has risen in the recent past making the technology a popular tool for communication. Given that knowledge sharing and diffusion are communication processes, it follows that the most popular communication tool is also the most popular for knowledge sharing and diffusion. The other popular knowledge sharing and diffusion tools used by SACCOs

in Kenya include documents such as books, papers, articles and manuals; social media platforms; as well as policies, circulars, memos and legal documents. The least popular tools are standards, groupware and data warehouses. Standards may not be popular because SACCOs may not be directly involved in the development of operational or compliance standards. Groupware and data warehouses are technological tools which most SACCOs in Kenya may be unaware of hence the low popularity.

Factors influencing knowledge sharing and diffusion in SACCOs:

Figure 4 presents the factors influencing knowledge sharing and diffusion in SACCOs in Kenya. Organisational culture and leadership are the two factors which greatly influence knowledge sharing and diffusion in SACCOs in Kenya. Mutual trust, collaboration and competition moderately influence knowledge sharing and diffusion in SACCOs in Kenya. Confidence or fear of criticism, rapid knowledge change, limited resources, as well as lack of incentives and rewards least influence knowledge sharing and diffusion in SACCOs in Kenya.

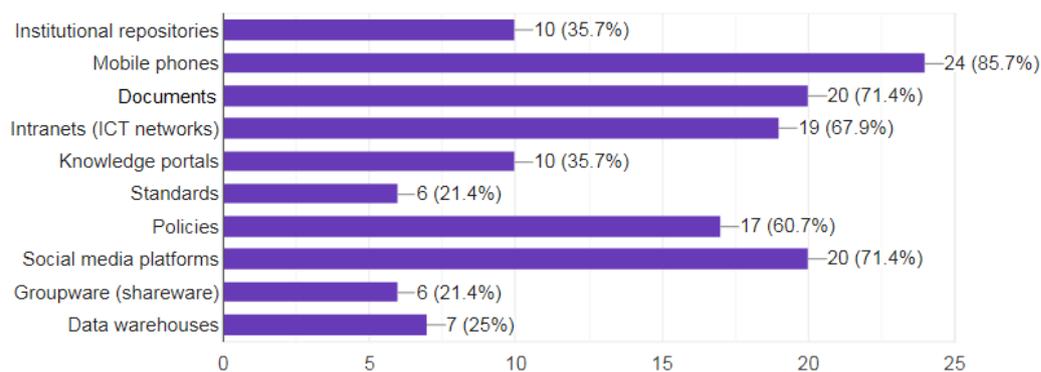


Figure 3: Knowledge sharing and diffusion techniques used by SACCOs in Kenya
Source: Research Data

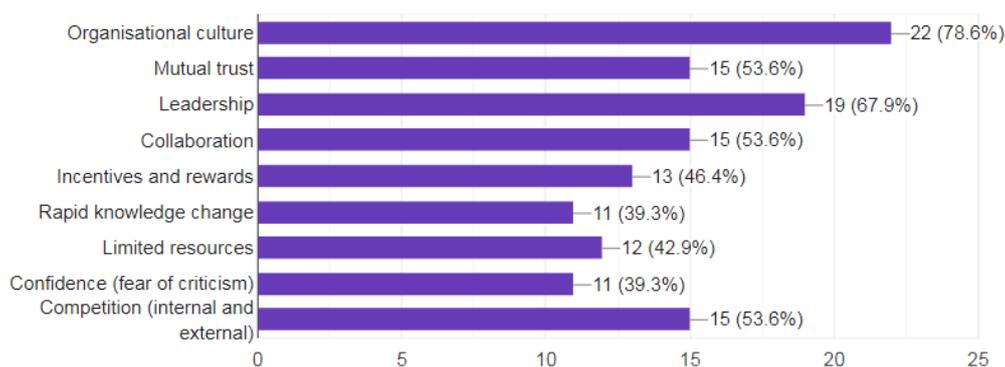


Figure 4: Factors influencing knowledge sharing and diffusion in SACCOs in Kenya

Source: Research Data

CONCLUSIONS & RECOMMENDATIONS

Knowledge plays an important role in enhancing the competitiveness of SACCOs in Kenya. SACCOs in Kenya currently hold knowledge in the form of business products and services; legal and compliance requirements; operational knowledge; markets; relational knowledge on networks and contacts; and institutional memory. The most popular knowledge sharing strategies used by SACCOs in Kenya are discussion forums and conferences while least popular strategies are storytelling, knowledge café; log files; exit interviews; and demonstrations. Mobile phones are the most popular tools used by SACCOs in Kenya for knowledge sharing and diffusion. Organisational culture and leadership are the two factors which greatly influence knowledge sharing and diffusion in SACCOs in Kenya.

Based on these findings, the following recommendations are made:

1. SACCOs in Kenya should prioritise the retention of institutional memory as a source of business continuity knowledge which should be preserved when staff leave the organisations. Exit interviews should be mainstreamed in the knowledge management approaches and used to preserve institutional memory of the organisations.
2. SACCOs in Kenya should work on facilitating effective sharing and diffusion of tacit knowledge held in the brains of the staff, customers and other stakeholders. This can be done through socialisation and other interactive

knowledge sharing and diffusion strategies such as storytelling and knowledge café. Both storytelling and knowledge café are currently not popular amongst the SACCOs.

3. SACCOs in Kenya should optimise the use of emerging technologies to share and diffuse knowledge. This can be done through the development and deployment of techno-based knowledge management systems using groupware as well as data warehousing and mining techniques.
4. SACCOs in Kenya should inculcate knowledge sharing cultures anchored on mutual trust, collaboration, organisational structures, as well as appropriate incentives and reward schemes.

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