Effect of Knowledge Management on Organizational Performance in the County Governments of Kenya

Jael Owano Kigungu
Master Student, Department of Business Administration and Management, Kibabii University, Kenya

Dr. Abuya Joshua Olang’o
Senior Lecturer, Department of Business Administration and Management, Kibabii University, Kenya

Dr. Laura Catherine Mamuli
Lecturer, Department of Business Administration and Management, Kibabii University, Kenya

Abstract:
Some forms of intellectual capabilities are transferable, intrinsic knowledge is not easily copied; therefore, the key objective of management is to improve the process of acquisition, integration and usage of knowledge, which is exactly what knowledge management, is all about. Currently in Kenya, the demand from clients for quality education, health and skilled labour has caused concern in the labour market; lack of skills has led to a new interest in training. This study was aimed at determining the effect of knowledge management on organizational performance of the County Government of Kakamega. The theories adopted were: Human Capital Theory and Resource Based View Theory. The study also adopted descriptive survey research design. The data was collected through questionnaires. Questionnaires were distributed to various respondents of the County Government of Kakamega, with a population of 1031 employees and a sample size of 288 staff. Reliability of the research instrument a Coefficient Alpha of \( \alpha = 0.952 \) was obtained. Collected data was coded, tabulated then analyzed descriptively and by use of Inferential Statistics aided by Statistical Package for Social Sciences to determine the means, frequencies, standard deviations as well as the Regression Coefficients. The findings indicated that there was a statistically significant effect of knowledge management on organizational performance of the County Government of Kakamega” (\( \beta=0.428; p<0.001 \)). The study thus recommends that the County Governments should encourage and support knowledge creation and dissemination through provision of adequate financial and human resources and ensure an operational knowledge management unit for staff is established in the County for enhanced organizational performance. The findings would be important to understand the human capital and operational performance model by the industry, academic and various government agencies.

Keywords: Knowledge management, organizational performance and county government of Kakamega

1. Introduction
Human Capital Management is concerned with obtaining, analyzing and reporting on data that informs the direction of value- adding people management, strategic investment and operational decisions at corporate level and at the level of front line management, it uses metrics (measurements of Human Resource and people performance) as a means of providing guidance on people management strategy and practices (Armstrong, 2006). When human capital is well managed in terms of skill development, training and knowledge management, the organization is expected to show improved performance and can compete favorably with other organizations.

Knowledge management (KM) is the process of creating, sharing, using and managing the knowledge and information of an organization (Girard et al., 2015). This study adopts (Girard et al., 2015) definition of knowledge management. This is because he looks at how knowledge management is created, shared, used and managed in the organization. This study adopted knowledge management as one of the independent variables of human capital management examining how knowledge was acquired, disseminated, applied and shared.

Knowledge sharing throughout the organization enhances existing organizational business processes, introduces more efficient and effective business processes and removes redundant processes (Bhojaraju, 2005). KM as emphasized by Kolam (2004) in Bhojaraju (2005) helps an organization to gain insight and understanding from its own experience; Knowledge management is an audit of “intellectual assets” that highlights unique resources, critical functions and potential bottlenecks, which hinder knowledge flow to the point of use. KM protects intellectual assets from decay, seeks opportunities to enhance decisions, services and products through adding intelligence, increasing value and providing flexibility (Bhojaraju, 2005). KM complements and enhances other organizational initiatives such as; total quality
management (TQM), business process re-engineering (BPR) and organizational learning as well as providing a new and urgent focus to sustain competitive position (Bhojaraju, 2005).

The concept of organizational performance has been defined by various authors. Etzioni (1960) believed that organizational performance refers to frequent assessments of organizations have been carried out in relation to the achievement or non-achievement of the set objectives and goals. However, in Etzioni’s suggestion, the resources that an organization needs to achieve its objectives and aspirations were not taken into consideration. Some other researchers, such as Chandler (1962) and Thompson (1967) apparently nurtured an idea of organizational performance similar to that of Etzioni. Researchers like these argue that the ultimate criterion of organizational performance is its growth and long-term survival. Cherrington (1989) defined organizational performance as a concept of success or effectiveness of an organization, and as an indication of the organizational manner that it is performing effectively to achieve its objectives successfully. Now organizational performance means the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Organizational performance involves the recurring activities to establish organizational goals, monitor progress towards the goals, and make adjustments to achieve those goals more effectively and efficiently (Richard, Devinney, George & Johnson, 2009).

Abdel, Gawater and Mohamed (2012) investigated the role of knowledge management in enhancing organizational performance in some Egyptian organizations, using questionnaire to collect the required information. The result shows that all elements of knowledge management capabilities have a positive significant relationship with all measures of the performance at 1% level of significance; it means that there is a great correlation between knowledge management capabilities and organizational performance.

Mohamad, Mehrdad, Salman and Noruzy (2013) investigated the influence of knowledge management practices on organizational performance in small and medium enterprises (SMEs) in Iran, using structural equation modeling (SEM). A number of 282 senior managers from these enterprises were chosen, using simple random sampling. The finding showed that knowledge acquisition, storage, creation and implementation have a significant factor loading on knowledge management; and also productivity, financial performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance. The results of the study suggest that knowledge management practices directly influence the organizational performance of SMEs.

According to study conducted by Sulait et al. (2014) in Uganda with a purpose to establish the elements of human capital that are influential in steering the performance of medium and large manufacturing firms (MLMC). The study used a valid instrument to conduct a survey on 359 MLMCs (258 medium forms and 103 large manufacturing companies) and 897 respondents that are representatives of 397 MLMCs and 1,087 respondents. Correlation and regression analysis were used. The findings indicated that HC elements (employees’ educational level, experience and motivation) are associated with MLMCs performance. The above study was conducted on manufacturing firms which is a private setting. This study sought to find out how human capital management would affect organizational performance of Kakamega County Government and targeted a population of 1031 employees and a sample size of 288 staff.

Kenya has been on the drive to become a globally competitive country with the best human capital by 2030. The achievement of this vision hangs squarely on the degree to which the nation is able to establish a competitive and adaptive human capital base that can explore the requirements of a rapidly changing global economy. The three pillars of Kenya Vision 2030 (economic, social and political pillars) are all anchored on the existence of a skillful, productive, competitive and adaptive human capital base (Republic of Kenya, 2007). Effectiveness of human capital management is therefore critical for the realization of Vision 2030 goals.

2. Statement of the Problem

Though some forms of intellectual capabilities are transferable, intrinsic knowledge is not easily copied; therefore, the key objective of management is to improve the process of acquisition, integration and usage of knowledge, which is exactly what knowledge management is all about (Kovicci, Bosity & Loncar, 2006). The County Governments in Kenya are faced with challenges of accommodating the right level of security for knowledge management, which is, keeping the acquired and stored data airtight. Other challenges include keeping up with ever-changing technology and keeping shared information up to date and accurate. These encounters made the researcher to conduct research as whether knowledge management contributes to improved organisational agility, increases the rate of innovation, better communication and improved business processes. The County Government of Kakamega is no exception to the aforementioned challenges associated with knowledge management. This has brought about a gap that this study sought to address. Therefore, this study sought to determine the effects of knowledge management on organizational performance in the County Government of Kakamega, Kenya.

3. Theoretical Framework

3.1. Human Capital Theory

Human Capital Theory suggests that individuals with more or higher human capital achieve higher performance when executing tasks (Becker, 1964). It holds that, “it is the key competences, skills, knowledge and abilities of the workforce that contributes to organizations competitive advantage (Becker, 1964).” According to Human Capital Theory, “education is an investment because it is believed that it could potentially bestow private and social benefits (Schultz, 1961).” Dae-bong (2009) adds that, “the origin of human capital goes back to the emergence of classical economics in (1776) and thereafter developed a scientific theory.” After realizing that this concept has become a theory, Schultz (1961) considered human capital as one of the vital attributes to national economic growth in the modern economy. Human
Capital theory was essentially proposed by Schultz (1961) and developed further by Becker (1964) who categorized expenditures on human capital as investment rather than consumption.

This theory delves so much on optimal labour utilization. “Education and training are believed to makes employees acquire skills, expertise and knowledge needed to perform, which is more valuable, and so a lot of consideration has to be given to it in terms of investment in people. As such, training is considered a special investment in employees (human capital) because it is believed that it could potentially bestow private and social benefit (Odhong’ et al., 2014).” Further, “human capital theorists believe that education and earning power are correlated, meaning that, theoretically, the more educational qualification one has, the more one can earn, and that the skills, knowledge and abilities that education provides can be transferred into the work in terms of productivity (Dae-bong, 2009).” In this study, the theory supported variables such as knowledge management, training, and skills development as well. This study endeavored to ascertain various Human Capital Management strategies employed by the County Government of Kakamega. In a comparative study, this theory was used by Odhong’ & Omolo (2015), who conducted a study on effect of human capital investment on organizational performance of pharmaceutical companies in Kenya.

3.2. Resource Based View Theory

Resource Based View states that resources of organizations that are valuable, rare, imperfectly imitable and imperfectly substitutable are the main source of sustainable competitive advantage for sustained superior performance (Barney, 1991). According to RBV, an organization can be considered as a collection of physical resources, human resources and organizational resources (Barney, 1991; Amit & Shoemaker, 1993). Resource Based View (RBV) theory was started by the works of Penrose (1959). There were many researchers articulated to it like (Barney et al., 2005), Jay Barney’s 1991 article, “Firm Resources and Sustained Competitive Advantage,” is seen as pivotal in the emergence of the resource-based view (Prahald et al., 1990).

For a competitive advantage to be attained, Itami (2010) says that, “a company has to strategically place itself to counter the external forces in the environment so as to position itself in the market.” The RBV articulates the needs for an organization developing valuable resources and putting them together so as to succeed in a unique way. Other resources in the organization can be imitated for example the use of Technology and availability of natural resources, but Human Capital’s knowledge cannot be imitated because each person has special uniqueness (tacit knowledge) hence, rare and difficult to copy or imitate. It is a valuable resource within the organization though, it is an asset that cannot be seen (Itami, 2010). This theory recognizes human capital as the most valuable, non-substitutable and imperfectly imitable resource that a firm can successfully utilize to achieve organizational productivity and competitiveness. In this study, Resource Based View theory is linked to Human Capital Theory in that, they both emphasize that investment in people adds to the value of the organization (Baron & Armstrong, 2007). This theory was used to explain a firm's sustained competitive advantage. This study ascertained skill development, training initiatives and knowledge management in the County Government of Kakamega. In a comparative study, this theory was used by Odhong’ et al., (2014), who conducted a study on effect of human capital management drivers on organizational performance in Kenya.

4. Empirical Literature of Work-Life Balance and Organizational Performance

According to a study conducted by Jelene et al., (2012) in Croatia with the purpose to “establish the impact of knowledge management on organizational performance which showed that through creating, accumulating, organizing and utilizing knowledge, organizations can enhance organizational performance. “Structural equation modeling was used to empirically measure the impact of knowledge management practices on performance. The sample was taken from 329 companies both in Slovenia and Croatia with more than 50 employees. The findings showed that “knowledge management practices measured through information technology, organizations and knowledge positively affect organizational performance.” The above study used structural equation to empirically test knowledge management practices. This study used Regression model analysis to compare the results.

A study conducted by Nnabuife, Onwuka & Ojukwu (2015) in Nigeria on selected commercial banks with a purpose to determine if there was a significant relationship between knowledge identification and organizational performance and to examine the extent to which knowledge acquisition affects the performance of an organization. The study employed a descriptive research design, the primary source of data was the primary instrument used for the study. Pearson’s product moment correlation was used to analyze the data. The findings revealed knowledge identification positively and significantly influenced the performance of an organization. The above study sought to find out the relationship between knowledge identification and organizational performance. This study sought to establish the effect of knowledge management on organizational performance of the County Government of Kakamega, Kenya.

According to a study conducted by Bagorogoza et al. (2011) in Uganda with the purpose to examine how knowledge management practices of financial institutions influence the high performance organization factors and thereby the performance of the financial institutions. 33 firms from the financial services industry were selected as a sample basis for an empirical test. The findings revealed knowledge management is highly inter-connected to the high performance framework. A comprehensive review of theory, research and practices on knowledge management and high performance developed a model that formed the basis of the study. The findings revealed that competitive advantage was a significant predictor of high performance and high performance organizational framework was a mediator of knowledge management and high performance. The limitation of the above study was that it used a small sample which limited the generalization of the results. This study sought to “establish the effect of knowledge management on organizational performance of the County Government of Kakamega, Kenya” and employed a sample size of 288 staff to avoid limiting the generalization of the results.
Ha, Lo and Wang (2016) conducted a study in Kenya with a purpose to investigate the effects of knowledge management on firm performance. The study employed exploratory research design. 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 found out that knowledge management was vital in improving the organizational performance. The above study employed exploratory research design. This study sought to employ descriptive survey research design which is a comparative design that employs probability sampling.

5. Methods

Descriptive survey design was adopted. Research was conducted in the County Government of Kakamega, Kenya. The target population comprised of 1,031 employees in the Departments of the County Government of Kakamega comprising of Human Resource (80), Protocol (100), Finance (75), Communication and Public Relations (200), Procurement (60), Logistics (Transport) (40), Legal (60), ICT (34), Marketing (50), Public Administration (300), and finally Youth, Sports and Gender (32) (Human Resource Department of County Government of Busia, 2019). Sample size of 288 respondents was arrived at using Yamane (1967) formula. The study adopted stratified random sampling technique and proportionate sampling used within each stratum. Structural questionnaires were used to collect primary data. Reliability analysis was conducted to test for reliability of the questionnaire items, Cronbach’s alpha coefficients of all the constructs were found to be above 0.7, therefore, the test items were retained and used in this study hence considered reliable. The study used construct validity and content validity. Data analysis used both descriptive and inferential statistics where inferential statistics tested the following research hypothesis at p-value of 5% (0.05) at confidence interval of 95%: $H_0$: knowledge management has no significant effect on organizational performance in County Government of Kakamega.

6. Findings and Discussions

The objective of this study was to establish the effect of knowledge management on organizational performance in the County Government of Kakamega. The results are as summarized on Table 1.

| Items                                                                 | N  | Frequency | Agree | Disagree | Min. | Max. | Mean | Standard Deviation |
|-----------------------------------------------------------------------|----|-----------|-------|----------|------|------|------|-------------------|
| There is provision of time to employees to perform Knowledge related activities | 275 | 242 (88)  | 33    | 12       | 2.00 | 5.00 | 2.253 | 0.813             |
| There is employee training and support on knowledge management        | 275 | 209 (76)  | 66    | 24       | 1.00 | 5.00 | 2.471 | 1.047             |
| Leadership encourages and supports knowledge creation, sharing and use.| 275 | 239 (87)  | 36    | 13       | 1.00 | 5.00 | 1.832 | 1.113             |
| There is a culture that values knowledge seeking, document management and problem solving among employees | 275 | 253 (92)  | 22    | 8        | 1.00 | 5.00 | 2.116 | 1.014             |

Table 1: Knowledge Management and Organizational Performance

Source: Survey Data, (2019)

Table 1 illustrates that in a pool of 275 respondents, 88% agreed that there is provision of time to employees to perform knowledge related activities among employees in the County Government of Kakamega while 12% disagreed at an average response of 2.253 and an S.D=0.813. It was also observed that, 76% of the respondents agreed that there is employee training and support on knowledge management in as much as 24% had a contrary opinion at an average response of 2.471 and an S.D =1.047. The 87% of respondents agreed that leadership encourages and supports (financial resources) knowledge creation, sharing and use in the County Government of Kakamega while 13% disagreed at an average response of 1.832 and an S.D =1.113. The 92% of respondents agreed there is a culture that values knowledge seeking, document management and problem solving among employees, though 8% disagreed at an average response of 2.116 and an S.D =1.014. These finding compare well with those that were observed by Bagorogoza et al., (2011) in Uganda, Ha, Lo and Wang (2016) in Kenya, Nnabuife & Ojukwu (2015) in Nigeria, and Jelena et al., (2012) in Croatian attempts to establish the effect of knowledge management on organizational performance.
The hypothesis (H₁) stated that there is no significant effect of knowledge management on organizational performance of the County Government of Kakamega. The results however show that there was a statistically significant effect of knowledge management on organizational performance of the County Government of Kakamega ($β = 0.428; p < 0.001$). The null hypothesis was rejected and the alternate accepted. The study thus concluded that there was a significant statistical effect of knowledge management on organizational performance of the County Government of Kakamega.

Recommendations of this piece of work are: The study therefore recommends that the County Governments should encourage and support knowledge creation and dissemination through provision of adequate financial and human resources and ensure an operational knowledge management unit for staff is established in the County for enhanced organizational performance.

7. Conclusions and Recommendations

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