

**KNOWLEDGE SHARING AS A CATALYST FOR ENHANCED PERFORMANCE IN MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN MIGORI COUNTY, KENYA**

**Dr. Ambrose Kemboi**

School of Business and Human Resource Development, Rongo University, P.O Box 1630, Eldoret, post code 30100, Tel +254 724 900 596,

**Maurice Ochieng Oyoo**

School of Business and Human Resource Development,, P.O Box 794, Suna- Migori, post code 40400 , Tel +254 722 214 651

---

**ABSTRACT:** *In the last decade the role of knowledge sharing in business organizations has been emphasized by practitioners, academics and entrepreneurs. Ironically, most of these studies have focused on large organizations, yet others have predominantly focused on secondary literature of past studies for their findings. In addition, some studies have focused on particular aspects like tacit knowledge or explicit knowledge without giving a clue on the relationship to performance using both. This study sought to find out the effect of knowledge sharing on organizational performance with particular reference to MSMEs, thereby filling the gap on small organizations. The study was also empirical and addressed both tacit and explicit forms of knowledge. The study was conducted by cross sectional survey, data being collected using questionnaire and structured interview responses from a sample of 46 owner and 110 employed managers of Micro, Small and Medium Enterprises randomly selected from the accessible population using stratified random sampling technique. Findings revealed that knowledge sharing indeed had a significantly positive effect on Micro, Small and Medium Enterprises in Migori County, Kenya. The study recommends that Micro, Small and Medium Enterprises be encouraged to facilitate implementation of knowledge sharing so as to realize significant improvements in their performance.*

**KEYWORDS:** Knowledge Sharing, Organizational performance, MSMEs.

---

## **INTRODUCTION**

Today's economy exhibits faster rate of change, globalization and knowledge related products. To survive and perform, an organization ought to revisit its ability and attitude toward developing knowledge based competencies. The ability to manage an organization's knowledge will ultimately results in smarter and more capable organization thus enabling it to manage its assets cheaper, better and more effectively than its competitors (Ahmed et al., 2002). In implementing knowledge sharing as part of their core business reforms initiative, MSMEs can remain with a competitive edge and renewed sustainability. Radwan et al., (2009) in a study of the extent of adoption of knowledge management practices in pharmaceutical firms in Jordan found that knowledge management practices had the highest impact on new product success followed by financial performance. Studies on knowledge sharing and its effect on performance in organizations, has been done based on secondary literature (Khan, 2012). Furthermore, emphasis has been given to large organizations (Radwan et al., 2012). The failure to address many aspects

of Micro, Small and Medium Enterprises needs to be addressed. Given the crucial role of Micro, Small and Medium Enterprises play in the economies of both developing and developed countries, an investigation of knowledge management practices and its effect on Micro, Small and Medium Enterprises performance in Migori County is of crucial importance.

### **Problem Formulation**

In the last decade the role of knowledge sharing in firms has been highlighted by practitioners, academics and entrepreneurs. Interestingly, most studies on knowledge management have focused on large organizations with minimal attention attributed to the business sector encompassing Micro, Small and Medium Enterprises. In general, past research on knowledge sharing has investigated organizations based on secondary literature involving past researches. In addition, research in this field has narrowed down on particular aspect of knowledge, for instance tacit knowledge, thereby ignoring explicit knowledge and its contribution to organizational performance, yet both types of knowledge exist in Micro, Small and Medium Enterprises. Moreover, these studies have majorly targeted large firms and their success factors in relation to performance. In the process, emphasis has been given to large firms in developed countries like Italy and 'Asian Tigers' like Malaysia hence ignoring situations like those prevalent in developing countries like Kenya.

Apart from Malaysia where knowledge sharing in multinational corporations brought positive effects, there have been no studies on the same practices in Micro Small and Medium Enterprises in Kenya, and especially in Migori County. Given the critical role that knowledge sharing plays in today's organization and the little focus it has been given in Micro, Small and Medium Enterprises, this study has been designed to investigate the effect of knowledge sharing on Micro, Small and Medium Enterprise performance in Migori County.

### **LITERATURE REVIEW**

The purpose of knowledge sharing is to capture the firm's expertise and distribute it to wherever it can achieve the biggest payoff (Radwan et al., 2012). Indicators of enhanced performance in organizations vary from organization to organization. Market share, profitability levels and new product success (Dessler, 2001; Anderson, 2012; Radwan, 2012) are some of the indicators of performance levels as revealed by various literature. By implementing knowledge sharing as part of their core business reforms initiative, Micro, Small and Medium Enterprises can remain with a competitive edge and renewed sustainability (Ahmed et al., 2002). Furthermore, literature discussing MSMEs performance with respect to knowledge sharing highlight mostly on knowledge sharing (Rizwan et al, 2012; Mann et al., 2010; Weiwei, 2009, Radwan et al., 2012; Salina et al., 2008; Gawaher et al., 2012). Despite emphasizing the role of knowledge sharing in organizations by practitioners, academics and entrepreneurs (Nonaka and Takeuchi, 1995), especially in the last decade, most studies have also focused on large organizations. Furthermore, most studies on knowledge sharing have been based on past researches. An empirical study was therefore of essence.

### **Knowledge Sharing and Performance**

To survive and perform, an organization ought to revisit its ability and attitude toward developing knowledge based competencies. The ability to manage an organization's knowledge will ultimately result in smarter and more capable organization thus enabling it to manage its assets cheaper, better and effectively than its competitors (Ahmed et al., 2002). In implementing knowledge sharing as part of their core business reforms initiative, MSMEs can remain with a competitive edge and renewed sustainability. Moreover, the practices were implemented by multinationals in Malaysia in the 1990's and brought positive transformation in their performance.

**Hypothesis: Adoption of knowledge sharing has no significant effect on performance**

### **RESEARCH METHODOLOGY**

The study adopted survey research design. In particular, the cross sectional survey design was used. In cross sectional survey design, data is collected from the same target population at one point in time, although the time taken to collect this data may vary between one day and a few weeks (Oso and Onen, 2006). The study targeted 1302 MSMEs in Migori County (Migori County Government, 2013). The respondents were owner and employed managers of the MSMEs who were targeted with the objective of assessing the perceived level of implementation of knowledge sharing in the MSMEs in relation to their performance. From the target population of 1302 MSMEs, Kathuri and Palls (1993) table was used to select a sample size of 297 MSMEs. Questionnaires were administered to all respondents. Reliability was determined by administering Cronbach alpha test to evaluate the alpha value which is 0.842 for all the variables under study. Statistical values of alpha above 0.7 were regarded significant for internal consistency of the studied variables. Descriptive statistics involving frequencies, percentages and means were employed in analyzing the data. Inferential statistics such as Pearson correlation was used to determine the extent of association existing between the two or more paired and quantifiable variables (Oso and Onen, 2006).

### **Response Rate**

As mentioned earlier, the questionnaire was distributed to 289 respondents spread amongst MSMEs in Migori County. 156 respondents' views were interviewed, representing a response rate of 52.53 percent. This response rate can be considered reasonable, owing to the busy schedules of managers (respondents), thereby limiting their availability to get time to respond to questionnaires. The response rate to this survey can be compared to the average response rates that are at 32.52% (Hamilton, 2009). Despite the response rate being fair, owing to the respondents in question (managers), the number of distributed questionnaires may have implications on the validity of the statistical analysis. The researcher nonetheless, proceeded with the analysis owing to the fact that the theoretical aspects of the study were already undertaken.

### **EMPIRICAL FINDINGS**

#### **Demographic Information**

Forty nine point four percent (49.4%) of the respondents in this study were males, whereas fifty point six percent (50.6%) were female- an indication that gender-wise there was near parity in

terms of distribution. Respondents with less than 19 years old accounted for 6.4% (n=10), those of 20 to 39 years were 30.8%, (n=48) while 40 to 59 years accounted for 46.2% (n=72), and finally, those with over 60 years were 16.7% (n=26) of the population. The indication is that there were very few managers with less than 19 years and older than 60 years; however, higher incidence of managers occurred at ages 20 to 39 years and 40 to 59 years. Education wise, majority of respondents were university graduates (n=57, 36.6%), followed by tertiary college graduates (n=45, 28.8%), secondary came third with 20.4% (n=32), lastly was primary (n=11, 14.2%). The education levels indicated that most managers were highly educated, perhaps a testament to the high levels of skill acquisition required for managerial levels in businesses. The oldest MSMEs were those of 2 to 9 years and 10 to 19 years, both accounting for 31.4 % (n=49) for each) followed closely by those of over 20 years of operation at 28.9% (n=45). Those MSMEs with less than a year of operation were the least, represented by 8.3% (n=13). Employed managers dominated managerial types with 106 respondents (70.6%), compared with measly 50 owner managers (29.4%). The managerial types revealed that most Micro, Small and Medium Enterprises employed managers, rather than managers running their own enterprises. Sector wise, retail had the highest incidence (n=60, 38.5%), basic materials was next (n=25, 15.4%), financial sector accounted for 11.6% (n=18). The rest of the sectors accounted for 34.5% (n=54).

### Knowledge Sharing

Respondents rated knowledge sharing in their organizations at between 4.36 (Our employees attend seminars, workshops and conferences) and 4.62 (Learning from competitors is encouraged). It was evident therefore, that on a scale of 1 (completely disagree) to 5 (completely agree), that the respondents 'completely agreed' that knowledge sharing was manifest in their Micro, Small and Medium Enterprises.

**Table 1: Knowledge Sharing**

Statement	Mean	Std Deviation	Skewness	Kurtosis
Our employees attend seminars/workshops/conference	4.36	0.736	-0.384	-0.781
Learning from competitors is encouraged	4.62	0.583	2.214	-1.477
Information is shared in this firm	4.59	0.699	-2.219	6.341
New skills are exchanged amongst employees	4.54	0.676	-1.794	4.860
Best practices are shared routinely	4.49	0.749	-1.657	2.710
Our employees participate in share fairs	4.61	0.638	-2.000	6.029
We welcome knowledge from external sources	4.43	0.826	-1.688	2.937
Expert inputs are incorporated in our firm's processes	4.43	0.796	-1.398	1.456
<b>Mean Knowledge Sharing</b>	<b>4.51</b>	<b>0.630</b>	<b>-1.116</b>	<b>2.759</b>

Source: Author, 2014

### Micro, Small and Medium Enterprises Performance

Respondents rated performance in their organizations at between 4.53 (favorable net asset value) and 4.63 (gaining new customers). It was evident therefore, that the respondents 'completely agreed' that improved performance were manifest in their Micro, Small and Medium Enterprises. All statements had less than one standard deviation from the mean, with Customers preference for new products having the least departure from the mean (0.636) and most spread out being realization of a favorable net asset value at 0.774.

**Table 2: Micro, Small and Medium Enterprises performance**

Statement	Mean	Std Dvn	Skewness	Kurtosis
We are experiencing improved profitability	4.58	0.681	-1.733	2.912
We have gained new customers	4.63	0.655	-1.954	3.993
Customers prefer our new products	4.62	0.636	-1.796	3.131
We have a favorable net asset value	4.53	0.774	-1.842	3.090
<b>Mean MSME performance</b>	<b>4.59</b>	<b>0.687</b>	<b>-1.831</b>	<b>3.282</b>

Source: Author, 2014

### Correlation Analysis

Correlation research attempts to determine whether, and to what extent an association exists between two or more paired and quantifiable variables (Oso and Onen, 2006). The degree of correlation existing between two variables is referred to as simple correlation. The degree of relationships connecting two or more variables is referred to as multiple correlations (Koutsoyiannis, 1993). A simple correlation was carried out to establish the degree of relationship between Micro, Small and Medium Enterprises' performance, and the independent variable knowledge sharing. Knowledge sharing had a positive relationship with Micro, Small and Medium Enterprises' performance with  $r=0.628$ , and  $p<0.01$ , an indication that knowledge sharing had a 62.8% positive and significant relationship with Micro, Small and Medium Enterprises' performance. The coefficient of correlation is positive and this is indicative of the fact that Micro, Small and Medium Enterprises' performance and knowledge sharing move together in the same direction, increasing or decreasing together. Furthermore, the positive sign is in agreement with the fact that knowledge sharing would ultimately contribute positively to MSME performance in any County.

### Hypothesis Testing

Hypothesis 1 stated that knowledge sharing had no significant effect on the performance of Micro, Small and Medium Enterprises in Migori County, Kenya. Findings revealed that knowledge sharing had coefficient of estimate which was significant based on  $\beta_2 = 0.614$  ( $p$ -value=0.000 which is less than  $\alpha=0.05$ ), implying therefore, that we reject the null hypothesis and conclude that knowledge sharing has a significant effect on the performance of Micro, Small and Medium Enterprises in Migori County. Furthermore, to improve performance of MSMEs in Migori County, knowledge sharing must be improved. An improvement in knowledge sharing will be brought

about by sub variables that constitute it namely; information sharing, exchanging of new skills in the organization, sharing of best practices and participation.

**Table 3: Correlations statistics**

		Performance	Knowledge sharing
Performance	Pearson Correlation	1	
Knowledge sharing	Pearson Correlation	0.628**	1

\*\* Correlation is significant at 0.01 level (2- tailed)

**Table 4: Coefficients of Estimates**

	Unstandardised Coefficients		Standardised Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.745	0.224		3.326	0.001		
Knowledge Sharing	0.554	0.068	0.614	8.147	0.000	0.975	1.026

**Dependent Variable:** MSME performance

**Source:** Author, 2014

## CONCLUSION AND RECOMMENDATION

This study shows that implementation of knowledge sharing is positively related to organizational performance of MSMEs in Migori County, Kenya. MSME organizations should therefore maximize the avenues for knowledge sharing to help spur their performance. For the stated research hypotheses the following specific empirical findings emerged from the study: knowledge sharing has a positive effect on performance, but more specifically, knowledge sharing has a positive and significant effect on performance. By and large, increasing performance in MSMEs will highly depend on adoption of knowledge sharing in the organizations.

Given the limitations identified for this study, the results should therefore be interpreted with caution. Furthermore, though the response rate is fairly adequate, the composition of the sample could have encompassed elements of bias in the study findings. Critically, it is a possibility that differences arising out of biographical data involving respondents could easily distort the results obtained from the study

Findings highlighted the fact that adoption of knowledge sharing will lead to improved profitability, gaining of new customers, and, a general preference for the organization's new products. It's vital that MSMEs share information, exchange new skills amongst their employees, share best practices routinely, and, participate in share fairs. The management should provide an enabling environment by supporting and facilitating seminars and workshops in addition to incorporating expert inputs in their firm's processes

### **Suggestions for Further Studies**

By and large, the overall contribution of this study was the critical examination of the important role contributed by knowledge sharing in MSMEs to their performance. Findings revealed that knowledge sharing and MSME performance are related and more studies should be undertaken in this area. The study recommends the following areas for further research: Firstly, an assessment of the effect knowledge sharing on Micro, Small and Medium Enterprises performance viewed from the perspective of employees. Secondly, a comparative study of the effect of knowledge sharing on Micro, Small and Medium Enterprises of Migori County and another County

### **REFERENCES**

- Ahmed, P.K., Lim, K.K., & Loh, A.Y.E. (2002). *Learning Through Knowledge Management*. Oxford: Butterworth- Heinemann.
- Kombo, D.K., & Tromp, D.L.A (2010). *Proposal and Thesis Writing: An Introduction*, Nairobi: Pauline's Publications Africa.
- Koutsoyiannis, A. (1993). *Theory of Ergonomics*. London-Macmillan Press.
- Nonaka, I., & Takeuchi, H (1995). *The Knowledge Creating Company: How Chinese Companies Create the Dynamics of Innovation.*, New York: Oxford University Press.
- Oso, W.Y., & Onen, D. (2009). *An Introduction to Educational Research.*, Kisumu: Options Press, 69-72.
- Radwan, K., Magableh, I., & Sawadha, S. (2012). *Knowledge Management Practices (KMPs) and its Impact on Organizational Performance in pharmaceutical firms*. Jordan: Zarqa.
- Salina, D., & Fadzilah, W. Y. (2012). *Knowledge Management and Firm Performance in SMEs: the Role of Social Capital as a Mediating Variable*. Kuala Lumpur, Selangor.
- Weiwei, W. (2009). *The Relationship between Knowledge Acquisition and Enterprise Performance: the Mediating Effect of Technological Capability*. 2<sup>nd</sup> International Symposium. (1), 99-102.