

Knowledge Management among Savings and Credit Cooperatives (SACCOS) in Nairobi City County, Kenya

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Abstract

Rationale of Study – Savings and Credit Cooperative (SACCO) movement in Kenya plays a critical role in national development by eradicating poverty amongst citizens. However, the SACCO sector faces numerous challenges which include weak and non-standard processes, shifting markets, rapid product obsolescence, hyper competition and financial upheavals. The aim of this study was to explore the potential of knowledge management as a strategy for achieving competitive advantage among SACCOs in Nairobi City County in Kenya.

Methodology – The study was informed by 'Knowledge-based theory of the firm' published by Carla Curado in 1959. The theory states that knowledge is the most strategically-significant resource in a firm. Qualitative method was employed in gathering data from three purposively selected SACCOs in Nairobi City County. Purposive sampling was further used to select heads of key departments, records officers, and ICT personnel as respondents in the study. Data was collected through unstructured interviews. The data was analysed thematically.

Findings – The study revealed that SACCOs lack structured approaches to manage knowledge. The study concludes that the haphazard knowledge management practices cannot be equated to good knowledge management practices and cannot give SACCOs a competitive advantage. The study also revealed that negative personality traits, unhealthy competition, and lack of mutual trust amongst staff hindered effective knowledge management. It also emerged that operational factors like lack of resources, lack of top management support, and demanding work schedules also affected the ability of staff to share knowledge.

Implications – The findings of this study may benefit SACCOs seeking to understand and manage their unique knowledge to remain competitive.

Originality – This is an original and empirical study on a subject which is less explored especially in Kenya.

Keywords

Competitive Advantage, Knowledge, Knowledge Management, Knowledge Sharing, Cooperatives, Kenya

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Introduction

United Nations – HABITAT (2010) defines a Savings and Credit Cooperative Society (SACCO) as a type of cooperative whose objective is to pool savings for the members and in turn provide them with credit facility. According to Asenga (2008), the history of Savings and Credit Cooperatives (SACCOs) in the world can be traced to two origins of modern cooperation. The first modern cooperation emerged in certain working-class environments in European industrial cities in the 1840s, particularly in Great Britain and France. The pioneers invented models of consumer and labour cooperatives that defended and promoted the interest of the working class in the face of social disasters. The second generation of the pioneers of modern cooperation emerged in certain European rural environments late in the 19th Century. A report by the World Council of Credit Unions (WOCCU) in 2012 indicates that there are 51,013 credit unions in the world, having a total of 196,498,738 members and growing at a rate of 7.8%. This rate is calculated by dividing the total number of reported credit union members by the economically active population age of 15-64 years old.

In African countries, the first experiences of SACCOs were to a large extent the work of foreign missionaries (Mwelukilwa, 2001).

According to Kobia (2011), SACCOs emerged in

Kenya in 1908 and were mainly serving the white farmers. Currently, SACCOs are among the leading sources of the co-operative credit used for socioeconomic development.

Savings and Credit Cooperatives in Kenya fall under the Ministry of Industry, Trade and Cooperatives. The sector is governed under the Cooperatives Societies Act (Cap 490 of the Laws of Kenya) which was assented in 1997 and has been revised several times. The Act provides for the post of a Commissioner who is responsible for the growth and development of co-operative societies and provides such services as may be required by cooperative societies for their organisation, registration, operation, advancement, dissolution and for administration of provisions of the Act.

In Kenya today, the cooperatives are part of the government's economic strategy which is aimed at creating income generating opportunities in rural areas. According to the Kenya Financial Sector Stability Report of 2015, the SACCO movement in Kenya has mobilised savings to the tune of KES 420 Billion with an asset base of KES 500 Billion. These savings account for 35% of the national savings. It means that SACCO sector in Kenya, if well managed, can spur the growth required to achieve targets set in the Vision 2030 development agenda. However, the same report pointed out that security and fraud

hinder growth of SACCOs. Other challenges faced by SACCOs are weak and non-standard processes which open and enhance the possibilities for fraud and losses. The SACCOs, just like any other organisation, also suffer from shifting markets, rapid product obsolescence, hyper-competition and financial upheavals.

Statement of the Problem

Knowledge is recognised as an asset which enables organisations to mitigate challenges. This is because knowledge enhances individual, team and organisational capability and thereby increases organisational capacity for innovation. If knowledge management in an organisation is implemented effectively, learning and innovation in the knowledge processes improve the foundations of individual development. As a result, it collectively contributes to organisational capability as far as matters of competition are concerned. This results in sustainable growth and competitive advantage through improved internal processes and systems and the development of core competencies.

An organisation gains competitive advantage when it is able to offer its customers greater value. This can be done either by lowering prices or providing additional benefits and services which are not provided by competitors (Casadesus-Masanell and Ricart, 2010). Leveraging on competitive advantage may

increase the profit gained by an organisation through innovation. This can then transform the organisation into a venture that is sustainable and successful in the long run (Austin, Stevenson & Wei-Skillern, 2006).

However, the SACCO sector in Kenya has experienced several challenges; for example, the inability to adequately assess the inherent credit risks that can guide them into making appropriate decisions (Lagat, Mugo & Otuya, 2013). Loans disbursed to members account for $\frac{3}{4}$ of SACCO's total assets yet most SACCOs have unacceptably huge percentage of non-performing loans. The SACCOs also suffer from rampant frauds perpetrated by staff and members who circumvent technologies to swindle money out of the SACCOs. Other forms of fraud occur when mischievous staff takes advantage of the loopholes in the internal processes (Odera, 2012). Such acts reduce the profit margin of the organisations thereby leading to limited ability to compete with other financial institutions. Furthermore, there is a competitive pressure in the lending market. Therefore, SACCOs need to be innovative in order to package products which would give them competitive advantage over their competitors.

These challenges can be minimised if SACCOs can harness their knowledge assets. Therefore, SACCOs should be more innovative in studying

market trends and forecast strategically. This study, therefore, investigated knowledge management practices in selected SACCOs in Nairobi County with a view of identifying the challenges and proposing a knowledge framework that may improve their competitive advantage. The specific objectives of the study were to; examine knowledge management practices among selected SACCOs in Nairobi City County; assess the knowledge sharing strategies employed for competitive advantage by selected SACCOs in Nairobi City County; explore the challenges experienced by SACCOs in harnessing knowledge assets for competitive advantage; and propose solutions to improve the competitive advantage among SACCOs in Nairobi City County.

Research Design and Methodology

Because the study sought to develop a framework linking knowledge management strategies and competitive advantage in SACCOs, it employed the use of exploratory research design to investigate knowledge management practices in the selected SACCOs. The study population was limited to three SACCOs namely: Police SACCO, Sheria SACCO and UNSACCO which were selected using information-oriented purposive sampling. The three SACCOs were selected based on the composition of their membership. Police SACCO is purely for civil servants, UNSACCO's membership is international while Sheria

SACCO draws its membership both from civil servants and the general public.

Purposive sampling was also used to identify the respondents who comprised of top management, heads of department and information professionals since they possess a wealth of knowledge about the SACCOs business. The authors collected data through in-depth interviews. The interviews were unstructured and involved having a dialogue between the interviewer and the respondents via telephone calls. Once the interview process was over, a DELPHI technique was employed whereby the gathered data was compiled and sent out to the respondents to go through so as to reach a consensus before the final report was compiled. This process was done in three rounds because the study had prepared three sets of interview schedules for each category of interviewees, that is, the top management, heads of departments and information professionals. The respondents had the opportunity to read the preliminary reports and corrections and discussions held through phone calls. The collected data was analysed thematically.

Findings and Discussions

A total of 21 usable responses were registered. The response rate was 100%. The maximum response rate is attributed to the fact that the authors used a one-to-one approach via

telephone calls to the respondents. The responses, based on the consensus of the respondents, are presented and discussed in this section.

Knowledge management practices among SACCOs

The in-depth interviews revealed that although SACCOs practised knowledge management, it was done in a haphazard manner. Thus, the benefits they gained out of managing their knowledge could be described as serendipitous; meaning, it was by chance and through trial and error. Despite this lack of a coordinated knowledge management approach, the findings revealed that knowledge gained in SACCOs yielded several positive attributes. This finding is in line with the theoretical framework of this study where Curado (2006) in knowledge-based theory of the firm postulates that knowledge is the most strategically significant resource in a firm. The proponent of this theory argues that because knowledge-based resources are usually difficult to imitate and socially complex and heterogeneous, knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance.

The authors argue that SACCOs can enjoy more competitive advantage if they establish deliberate, comprehensive and coordinated knowledge management programmes. Knowledge management only makes impact in

an organisation if proper mechanisms for the diffusion of new knowledge, once created, are put in place in the form of knowledge networking models (King, 2009). Measures should be laid down to tap into knowledge held by staff, customers and other stakeholders including competitors (Austin, Stevenson & Wei-Skillern, 2006).

Nonaka and Takeuchi (1995) provided a knowledge management continuum justifying that knowledge is a spiral between tacit and explicit knowledge which continually affects new knowledge among workgroups thereby creating synergy and innovations that characterise a knowledge intensive organisation. The SACCOs can also benefit from systems thinking framework proposed by Rubenstein-Montano, Liebowitz, Butchwalter, and McCaw, Newman and Rebeck (2001). These authors argue that a systems thinking approach in knowledge management is important because it facilitates an understanding of the linkage between knowledge management initiatives, strategic goals and objectives of an organisation. Precisely, systems thinking approach to knowledge management considers the purpose or objectives of the organisation, knowledge, technology, learning, and people or culture of the organisation. The framework should be both prescriptive and descriptive to enable it to contain all the criteria and be consistent with systems thinking.

Knowledge sharing strategies in SACCOs

The study revealed that several strategies were applied by SACCOs to manage their knowledge. Some SACCOs used informal strategies to share knowledge. In this context, the staff used the informal strategy to share knowledge mostly during tea and lunch breaks and in their private hours.

The study also revealed a sense of existence of some natural demarcations within the workers. The reason knowledge flows freely inside these demarcations could be due to the mutual trust, friendliness, a feeling of belonging and common interests within such closed groups. This is consistent with finding by Gerbin and Drnovsek (2014) in their study evaluating the impact of the involvement of researchers in academic-industry knowledge transfer activities on knowledge sharing restrictions in life science communities. The study revealed that collaboration that is not based on contracts or other formal “hurdles” and that which is based on friendship and trust was considered as having the highest impact.

These findings indicate that the existing knowledge islands represent communities of practice. The concern is that an elaborate outcome revealed that SACCOs had not employed knowledge managers, hence, it was difficult to mine these interlocked knowledge pockets that existed within workers and use

them for the betterment of the SACCOs. Therefore, there is need for SACCOs to invest in knowledge management processes, employ knowledge managers to help tap interlocked knowledge, create networks that link these isolated groups and acquire new knowledge so as to achieve organisational learning and preserve its organisational capabilities.

According to Wenger and Snyder (2000), organisations can prioritise Communities of Practice (CoP) by creating an organisational environment in which the informal groups can thrive. Communities of Practice are groups of people who are informally bound together by shared expertise and passion for joint enterprise. Wenger and Snyder describe CoPs as gardens that need to be tended and nurtured. The communities should be bound by common goals for high performance to be attained as discussed by Katzenbach and Smith (2015) in their analysis of the discipline of teams.

It is, therefore, factual to say that SACCOs should explore the naturally existing groups as well as create, encourage and support more communities of practice. To this extent, organisations can nurture CoPs that are keepers of knowledge critical to the mission of the organization and thus essential expertise is likely to be shared readily.

Another strength possessed by the examined SACCOs revealed that they have short organogram which facilitates and eases the flow of communication. According to Asrar-ul-Haq and Anwar (2016) on trends, issues and challenges in knowledge management and sharing describes communication as not only a meant for promoting voluntary knowledge sharing behaviour but also increases the transfer of knowledge from one subsidiary to another. Communication has also been studied as an important variable in respect to knowledge transfer in highly turbulent environments as well as in the context of cross-functional teams. Communication is found to be closely associated with workspace structure, as knowledge sharing practices of employees rely on proximity which subsequently affects communication.

Factors hindering knowledge sharing in organisations

The results revealed that unhealthy competition, lack of mutual trust and lack of structured strategies for managing knowledge were the main hindrances to knowledge sharing in SACCOs. The other challenges include impediments like access rights, incompatible personality traits, and demanding performance targets.

The authors are of the view that the above impediment is pegged more on the

organisational culture and is the major barrier cited by respondents as a hindrance to knowledge sharing in SACCOs. This requires to be addressed if the SACCOs are to experience competitive advantage derived from harnessing knowledge.

Unsupportive organisational culture is increasingly recognised as a major barrier to leveraging in intellectual assets (Singh and Kant, 2008). There are four ways in which culture influences the behaviours central to knowledge creation and use that have been enlisted by the scholars. First, culture and particularly subcultures shape assumptions about what knowledge is and which knowledge is worth managing (Ajmal, Kekäle and Takala, 2009). Secondly, culture defines the relationships between individuals and organisational knowledge, and determines who is expected to control specific knowledge as well as share or hoard it. Thirdly, culture creates the context for social interactions that determine how knowledge is used in situations. Fourthly, culture shapes the processes by which knowledge with its accompanying uncertainties is created, legitimatised and distributed in organisations. These four perspectives suggest specific actions managers can take to assess the different aspects of culture most likely to influence knowledge related behaviours. The authors argue that this diagnosis is the critical first step in developing a strategy and specific

interventions to align SACCOs' culture in support of more effective knowledge use.

According to McDermott and O'Dell (2001), culture is often seen as the key inhibitor of effective knowledge sharing. Often companies do not change their culture to match knowledge management initiatives. Instead, they adopt their approach to knowledge management to fit their culture. This is done by linking sharing knowledge to solving practical business problems; tying sharing knowledge to pre-existing core values; introducing knowledge management in a way that matches the organisational style; building on existing networks people use in the daily work and encouraging peers and supervisors to exert pressure to share knowledge.

Another negative impact on knowledge sharing that was revealed by the study was negative competition. Organisations can do several things to reduce negative competition between groups. This can be done by first encouraging individuals to focus on organisational level goals rather than individual or team level goals. Managers should cause employees to identify with the organisation. Hinds and Pfeffer (2003) cited a sheriff's classic study of interactions on the behaviour of boys in a summer camp. It was found out that when groups competed, the boys exhibited hostile behaviour. However, when they were given a superordinate goal,

competition with another camp across the lake, they were amicable towards each other and exhibited cordial, friendly relations. This therefore demonstrates that there is usually more in-group bias, less intergroup links and greater intergroup discriminations when groups are objectively in a competition than when they are interdependent or must cooperate to achieve a common goal.

Conclusion

Based on the findings of the study, the following conclusions were drawn: First, SACCOs in Nairobi City County have not put in place deliberate, comprehensive and holistic strategies to manage knowledge in such a way that can enable them gain competitive advantage. Secondly, in as much as the SACCOs are enjoying a lot of benefits like ability to document experiences for referencing, know-how on ways to cut costs, innovation of new products, understanding customer needs and products packaging, and recruitment of clients from the few aspects of knowledge management assets which they carry out, they are not managing knowledge in such a way that can enable them to gain competitive advantage. Thirdly, SACCOs in Nairobi City County have strengths such as use of ICT tools, seminars, cocktail parties, Internet, job rotations, mentorship programmes, boardroom meetings, and informal meetings among others. These can be exploited to establish a good knowledge

management system. Fourthly, there exist numerous challenges which hinder effective knowledge management in the studied SACCOs. These include unhealthy competition amongst staff, unsupportive personality traits, demanding performance targets, limited access to information rights that hinder harnessing of knowledge assets for competitive advantage, as well as lack of a comprehensive and effective knowledge management framework which suits any of the studied SACCOs.

Recommendations

Based on the findings and conclusions presented, the following recommendations are suggested:

1. The SACCOs should appreciate the fact that knowledge plays a critical role in their ability to be innovative and to survive in the long run. It is, therefore, imperative that they learn how to generate new knowledge, capture existing knowledge and use it to uniquely position themselves from the competitors. To achieve this, they need to establish deliberate, systematic and coordinated knowledge management strategies which encompass people, technology, processes and organisational structure. This can be done by creating, sharing and applying knowledge as well as through feeding

the valuable lessons learned and best practices into corporate memory in order to foster continued organisational learning. This will enable the SACCOs to harness knowledge assets for their own competitive advantage.

2. The SACCOs' top management should support and provide leadership when implementing knowledge management strategies. Support comes in form of allocation of resources required to hire knowledge management professionals, setting up knowledge management departments, and including knowledge management strategies in the overall strategy of the organisations.
3. Given that SACCOs have already put in place good knowledge acquisition and sharing techniques, they now need to hire knowledge managers to champion ideal knowledge management frameworks. These should incorporate aspects of staffing, policies, strategies, technology and deliberate approaches to knowledge management.
4. Any knowledge-based SACCO should identify appropriate knowledge sharing strategy that works for it depending on the prevailing organisational culture. The SACCOs should align the selected strategy with the overall organisational strategy.

5. The major challenges that hinder harnessing of knowledge assets for competitive advantage needs to be identified and mitigated. Issues like negative competition and personality traits should be tackled by changing the organisational culture from individualistic to organisation oriented. Top management should support and market the idea of knowledge management as a new frontier towards competitive advantage in organisations.

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