KNOWLEDGE MANAGEMENT PRACTICES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY, KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT) OF KENYATTA UNIVERSITY

APRIL, 2019
DECLARATION

This project is my original work and has not been presented for a degree in any other University or for any other award.

Signature.............................................. Date.............................................

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D53/OL/CTY/26697/2014

I confirm that the work reported in this project has been carried out by the candidate under my supervision

Signature............................................................. Date............................................................

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DEDICATION

I dedicate this work to my family for their endless support throughout my studies.
ACKNOWLEDGEMENT

I would like to acknowledge my family members, friends and colleagues whose support has made it possible for me to come this far in my academic. I also acknowledge my fellow students and lecturers at Kenyatta University who supported through the academic period has made me better. I would also like to sincerely acknowledge my supervisor, Mrs. Genga who has guided me tirelessly through the research project. Her support is invaluable.
# TABLE OF CONTENT

DECLARATION........................................................................................................... ii
DEDICATION............................................................................................................... iii
ACKNOWLEDGEMENT............................................................................................... iv
TABLE OF CONTENT.................................................................................................. v
LIST OF TABLES......................................................................................................... vii
LIST OF FIGURES...................................................................................................... viii
OPERATIONAL DEFINITION OF TERMS................................................................. x
ABBREVIATIONS AND ACRONYMS.......................................................................... ix
ABSTRACT.................................................................................................................. xii

CHAPTER ONE ........................................................................................................ 1
INTRODUCTION......................................................................................................... 1
  1.1 Background of the Study ....................................................................................... 1
  1.2 Statement of the Problem ..................................................................................... 8
  1.3 Objectives of the Study ....................................................................................... 9
  1.4 Research Questions ............................................................................................ 10
  1.5 Significance of the Study ................................................................................... 10
  1.6 Scope of the Study ............................................................................................ 11
  1.7 Limitation of the Study ..................................................................................... 11
  1.8 Organization of the Study ................................................................................ 11

CHAPTER TWO ....................................................................................................... 13
LITERATURE REVIEW .............................................................................................. 13
  2.1 Introduction ....................................................................................................... 13
  2.2 Theoretical Review ........................................................................................... 13
  2.3 Empirical Review ............................................................................................. 16
  2.5 Conceptual Framework ..................................................................................... 24

CHAPTER THREE ................................................................................................... 26
RESEARCH METHODOLOGY ............................................................................... 26
  3.1 Introduction ....................................................................................................... 26
  3.2 Research Design ............................................................................................... 26
  3.3 Population ......................................................................................................... 26
  3.4 Sampling Design .............................................................................................. 27
  3.5 Data Collection Instruments ........................................................................... 28
  3.6 Validity and Reliability of the Research Instruments ....................................... 28
  3.7 Data Analysis and presentation ....................................................................... 29
  3.8 Ethical Considerations ..................................................................................... 30

CHAPTER FOUR ..................................................................................................... 31
DATA ANALYSIS, PRESENTATION AND INTERPRETATION Error! Bookmark not defined.
  4.1 Introduction ....................................................................................................... 31
  4.2 Demographic Information ................................................................................ 32
  4.3 Descriptive Statistics ....................................................................................... 35
  4.4 Inferential Statistics ......................................................................................... 41
4.5 Key Findings and Discussions .................................................................................. 45

CHAPTER FIVE ................................................................................................................. 47
SUMMARY, CONCLUSION AND RECOMMENDATIONS .............................................. 47
  5.1 Introduction ................................................................................................................. 47
  5.2 Summary of the Findings ............................................................................................ 47
  5.3 Conclusion ................................................................................................................... 49
  5.4 Recommendations ...................................................................................................... 50
  5.5 Limitations .................................................................................................................. 51
  5.6 Contribution to Knowledge ......................................................................................... 51
  5.7 Areas for Further Research ......................................................................................... 52

REFERENCES .................................................................................................................... 53
APPENDICES ..................................................................................................................... 59
  APPENDIX I: Letter of Introduction ............................................................................... 59
  APPENDIX II: Questionnaire ......................................................................................... 60
# LIST OF TABLES

Table 2.1: Research Gaps .............................................................................................................24  
Table 3.1: Target Population.......................................................................................................27  
Table 3.2: Sample Size ...............................................................................................................27  
Table 4.1: Reliability Test ..........................................................................................................32  
Table 4.2: Performance of Small and Medium Enterprises ......................................................36  
Table 4.3: Knowledge Creation and Performance of SMES .....................................................37  
Table 4.4: Knowledge Acquisition and Performance of SMES ...............................................38  
Table 4.5: Knowledge Sharing and Performance of SMES ......................................................39  
Table 4.6: Knowledge Implementation and Performance of SMES .........................................40  
Table 4.7: Correlation Analysis .................................................................................................41  
Table 4.8: Model Summary ......................................................................................................43  
Table 4.9: ANOVA ....................................................................................................................43  
Table 4.10: Coefficients ............................................................................................................44
LIST OF FIGURES

Figure 2.1: Conceptual framework ...........................................................................25
Figure 4.1: Response Rate .........................................................................................31
Figure 4.2: Gender .......................................................................................................33
Figure 4.3: Highest Level of Education .....................................................................33
Figure 4.4: Length of Service .......................................................................................34
Figure 4.5: Position ......................................................................................................35
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>KV</td>
<td>Knowledge View of a Firm</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Micro Enterprises</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource Based View of a firm</td>
</tr>
<tr>
<td>KS</td>
<td>Knowledge sharing</td>
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<td>KM</td>
<td>Knowledge management</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package For Social Science</td>
</tr>
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</table>
OPERATIONAL DEFINITION OF TERMS

**Knowledge acquisition**- is the process of extracting, structuring and organizing knowledge from one source, usually human experts.

**Knowledge Management**- A means by which the organisation’s core competencies can be focused and developed.

**Knowledge creation**- according to the Nonaka's SECI model is about continuous transfer, combination, and conversion of the different types of knowledge, as users practice, interacts, and learns.

**Knowledge implementation**- can be considered as transforming knowledge as an idea spreading into new areas of application or as the replacement of an old concept by a new one.

**Knowledge sharing**- is an activity through which knowledge (namely, information, skills, or expertise) is exchanged among people, friends, families, communities (for example, Wikipedia), or organizations.

**Knowledge**- the pool of information that results from experience and interpretation.

**SME performance**- in the context of this study SME performance is a measure of how well a SME achieves its purpose. This study will measure performance based on profitability, debt equity ratio, return on assets and returns on investment.
Strategy

the determination of the long-run goals and objectives of an enterprise and the adoption of the courses of action and the allocation or resource necessary for carrying out these goals
ABSTRACT

SMEs are an important component of the economy, especially with regard to absorbing a large percentage of the workforce. Good performance of these entities is therefore critical so that they can continue with their economic contribution. The general objective of this study was to investigate the influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County. Specifically, the study sought to: establish the influence knowledge creation, knowledge acquisition, and knowledge sharing/transfer and knowledge implementation on the performance of small and medium enterprises in Nairobi City County. This study was guided by Resource based view theory, Organizational learning theory and Knowledge based theory. The study was based on descriptive research design. The target population was 532 SMEs firms in Nairobi City County. The sample size was 150 SMEs covering different sectors. The study found out that knowledge creation significantly influenced performance of small and medium enterprises. Knowledge acquisition significantly influenced performance of small and medium enterprises. Knowledge sharing significantly influenced performance of small and medium enterprises. Knowledge implementation significantly influenced performance of small and medium enterprises. The study concludes that knowledge creation enabled creation of new products and services to meet customer need and satisfaction for increased loyalty. SMEs were encouraged to innovate for better services for better productivity and increased returns. SMEs were careful while hiring and put importance in hiring skilled employees for improved and better performance. SMEs put great importance on technological advancement and embraced technology in their daily running of the business. SME firm organized meetings to enable sharing of knowledge and borrowing of better ideas to the enterprises. SMEs achieved technological advantage by encouraging knowledge sharing on current issues. SMEs involved all departments for better exchange of views when implementing knowledge management. The study recommends that knowledge creation ought to enable creation of new products and services to meet customer need and satisfaction for increased loyalty. SMEs ought to be encouraged to innovate better services for better productivity and increased returns. SMEs ought to be careful while hiring and put importance in hiring skilled employees for improved and better performance. SMEs ought to send their employees for external training to increase their competence levels for better productivity. SME firm ought to organized meetings to enable sharing of knowledge and borrowing of better ideas to the enterprises. SMEs ought to achieve technological advantage by encouraging knowledge sharing on current issues. SMEs ought to take a rational decision as a key driver to knowledge implementation. SMEs ought to involve all departments for better exchange of views when implementing knowledge management.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small and Medium enterprises have been noted to play a significant role in employment and economic growth of many countries (Liedholm & Mead, 1999). Indeed, in many developing countries as well as developed countries, small and medium enterprises are the focal point of growth and self-employment. In low-income countries, it is estimated that small and medium enterprises account for more than 60 per cent of the GDP and provide over 70 per cent of employment opportunities (Lukacs, 2005).

Knowledge can be considered as the most important strategic resource for ensuring an organization’s long-term success and survival, because it is unique and difficult to imitate (Grant, 1996; Kogut & Zander, 1992). Moreover, it is strategically important for the management of technology and innovation. These facts have motivated researchers to center their studies on the internal aspects of businesses as being fundamental to their competitiveness, particularly those of an intangible nature which are linked to organizational knowledge (Nonaka & Takeuchi, 1995). The Knowledge management practices (KMS) of a firm is based on the best possible strategic design to create, maintain, transfer and apply organizational knowledge to reach competitive goals (Liebeskind, 1996).

The role of Small and Medium Enterprises in job creation and economic growth globally cannot be disputed. The small and medium sized sector is increasingly being recognized as the prime vehicle for economic development in both developed and developing nations (Zacharakis et al., 2002). It is a major source of employment, revenue generation, innovation and technological
advancement. Therefore, SMEs have become a major asset in the economy. In most of the countries in the world, the level of economic dependence on small and medium enterprises has increased in recent years.

In Europe and the U.S. an estimated, 81% of the leading organizations are utilizing some form of knowledge management (Grossman, 2006). Consequently, the key question today is no longer whether to manage knowledge, but how to manage it (Lee & Choi, 2003). The contribution of Small and Medium Enterprises (SMEs) around the globe is unquestionable and especially in developing countries, where development in this sector is seen as a key strategy for economic growth, job generation and poverty reduction (Agupusi, 2007). According to Mutezo (2005), Japan’s SME sector accounts for the bulk of the country’s business establishment, proving vital support for employment, for regional economies and by extension for the day-to-day life of the Japanese people. In Taiwan the SME sector generates 98 percent of the economy’s GDP.

In Malaysia, the concept of knowledge management (KM) began to be implemented in the late 1990s when multinational organizations like Microsoft and Hewlett-Packard brought their KM practices, processes and applications to the country. At the same time, the Malaysian government launched its Knowledge Economy Master Plan, which consisted of strategies for transforming Malaysia from a production-based economy to a knowledge-based economy. One strategy proposed in the plan called for the private sector to be the vanguard of the knowledge economy development. The Multimedia Development Corporation (MDeC), Siemens, Bank Negara Malaysia, Nokia Malaysia, and Telekom Malaysia were among the pioneers for the implementation of KM in the country.
In Sub Saharan Africa countries, the full potential of the SME sector has yet to be tapped due to the existence of a number of constraints hampering the development of the sector. SMEs in developing countries primarily face issues relating to business regulations and restrictions, finance, human resource capabilities and technological capabilities (Mwangi et al., 2013). Developing SMEs in developing countries is an important challenge. The main underlying constraints to their growth are lack of finance, lack of human resource capabilities and lack of technological capabilities (Visser, 2013).

In South Africa, the SME sector may be more important because of the country’s history, which has left most people poor, and with no formal education or training Abor & Quartey (2010). Abor and Quartey point out the importance of SMEs in South Africa where it is estimated that 91% of the formal business entities are SMEs. They also contribute between 52 to 57% to GDP and provide about 61% of employment. In Kenya, classification of enterprises is primarily by the number of employees engaged by firms. "Micro-enterprises" in the Kenyan context are those with 10 or fewer workers. According to the Micro and Small Enterprise Act (2012), a Small Enterprise is a business that has sales of between Ksh.500,000 – Ksh.1million a year, or has 10–50 people working in it. Those firms that employ 50 to 99 workers are classified as medium-scale enterprises while firms with 100 or more workers are categorized as large-scale enterprises.

Kenya has about 1.6 million registered small and medium sized enterprises constituting about 96 per cent of all business enterprises in the country (Economic Survey, 2009). SMEs represent the largest sector in the economy employing up to 83% Kenya’s workforce and contributing up to 18.4% of the country’s Gross Domestic Product (GDP) (Economic Survey, 2013). SMEs are therefore an important component of the economy, especially with regard to absorbing a large
percentage of the workforce. Adoption of knowledge management practices to these entities is therefore critical so that they can continue with their economic contribution.

1.1.1 Performance of SMEs

Performance assessment in Small and Medium Enterprises (SMEs) is essential to maintain the business viability. Companies with small and medium scale describe their business development in modest performance. For example, achieving sales targets, return on capital, profit and growth performance. Generally, few studies measure SMEs performance to assess the sales level, profitability, sales growth and profit growth (Subroto, Husnah, Aisjah & Djumahir, 2013). One solution to overcome the problems affecting SMEs performance is through business management of Resource-Based. With these arrangements, company able to create a special competence (St-Pierre & Audet, 2011). Resources Based Value (RBV) theory suggests that resources and capabilities are basis to create a strategy.

Performance is a measure of an organization's financial condition or financial outcomes resulting from management decisions and carried out by organization members. The size of performance reflects the strategic decisions, operational and financing (Fening, 2012). The analogy, finance is the heart of corporate, business strategy planning must be balanced by financial planning strategy. Any decision or business opportunity that taken should be adjusted according to calculations, weather it really profitable company or not. Significant information in financial statements can be used to assess performance during a specific time (Camisón & Villar-López, 2010). It was concluded that performance is part of financial statements which indicates the position of resource companies during the period, and financial statements describing financial company performance’s ability to generate revenue from its available resources.
SME performance measurement is done by comparing financial ratios. The goal is to see the weaknesses and strengths that have done an SME in running their business operations. Next time they would be able to make repairs and improvements in processing business in an attempt to obtain a good SME (healthy), a measure of perceived performance. Studies that measure SMEs performance generally consider revenue from sales, profitability, sales growth and profit growth (Fairoz, Hirobumi & Tanaka, 2010).

1.1.2 Knowledge Management Practices

KM is predominantly becoming an essential and significant component in business strategy (Iyer and Ravindran, 2009) since the value of workers and organisational data have become more critical to the organisation’s outcomes and competitiveness. As postulated by Choong and Wong (2010), KM acts as a means by which the organisation’s core competencies can be focused and developed. Therefore, KM should not be viewed as just a management ‘fad’ since researchers like Chen and Hatzakis (2008) interpreted KM as layers of assortment that can be broken down into norms, practices and, technology that covers most of the aspect of enterprise’s core business process in increasing organisational effectiveness.

KM processes: As elucidated by Gold et al. (2001), KM processes is a planned coordination for controlling knowledge in an effectively way. It is important for organisations to follow the steps of KM processes more effectively. To simplify the analysis of KM processes, this study consist of four processes: knowledge creation, knowledge transfer, knowledge sharing and knowledge implementation. Knowledge creation comprises of activities that are associated with the entry of new knowledge into the system, which includes knowledge development, discovery and capture.
Hence, the creation of new knowledge in turn generates higher levels of innovative output, which is then manifested in maintaining business performance. The process of conversion involves creation of TK through informal sharing, moving from TK to explicit and enhancing explicit content by combining codified knowledge and using EK to create new TK through thinking and sharing. The most common method of knowledge transfer across companies in all industries is informal interactions between experts and practitioners through sustained mentoring or apprentice relationship, or through brief discussions by phone or video conference. Besides, transfer of knowledge requires an individual or a group to cooperate with each other to distribute knowledge and achieve mutual benefits (Syed-Ikhsan and Rowland, 2004).

Knowledge sharing is all about disseminating and making available what is already known (Tiwana, 2000). For that reason, knowledge sharing is critical to a firm’s success as it leads to faster knowledge deployment to various segments of the organisation that can greatly benefit from it (Syed-Ikhsan and Rowland, 2004). Hence, with this in mind, many SMEs wish to share knowledge, as they view co-operation with consumers as vital and without a doubt beneficial. Lastly, knowledge utilisation includes activities and events connected with the application of knowledge to business processes. Research shows that knowledge utilisation in enterprises results from the mutually dependent influences of organisational processes, control opportunities and control problems that arise through organisational structure. The effective utilisation and application of knowledge are dependent on factors such as clear understanding of roles, opportunities in using it, a need to take action and an awareness of the benefits to be gained from its application (Wong & Aspinwall, 2004).
1.1.3 SMEs in Nairobi City County

Nairobi City County is one of the forty-seven counties in Kenya. The Nairobi City County is the creation of the Constitution of Kenya 2010 and successor of the defunct City Council of Nairobi. It operates under the auspices of the Cities and Urban Areas Act, The Devolved Governments Act and a host of other Acts. Nairobi is largest and fastest growing cities in Africa. It is also Kenya's principal administrative, economic and cultural centre. Being the Kenyan capital, the national baseline survey (National Baseline Survey, 2014) indicated that about 17% of the total SMEs are located in Nairobi. According to the licensing record provided by Nairobi county licensing office (2015) there 30252 registered SMEs in Nairobi County Government.

The SMEs have gained much popularity among many young entrepreneurs due to the low capital required to start them. The SMEs however have a high motility rate which limits their capacity to make long haul sustainable employment and may likewise be in charge of the best number of riches and occupation misfortunes (Ahwireng, 2003). This is achieved by the SMEs' part being famously unpredictable and encounters a high level of business conclusion and shrinkage (Baard and Van Den Berg, 2004) and subsequently the administration has been attempting endeavors in helping with the advancement of the SME divisions.

Small and medium enterprises (SMEs) are very important for employment creation and are important sources of economic growth (Tambunan, 2005). Nairobi City County is a county in the former North Eastern Province of Kenya. Its capital and largest town is Nairobi. The county has a population of 661,94 and an area of 55,840.6 km². Nairobi City County has only one local authority: Nairobi City County council. The county has four constituencies: Nairobi North, Nairobi West, Nairobi East and Nairobi South. Nairobi City County is divided into
fourteen administrative divisions. The number of SMEs in Nairobi City County is not well established because of the locality (Economic Survey, 2015).

1.2 Statement of the Problem

Small and medium enterprises (SMEs) in Nairobi City County have been experiencing poor performance. The county is not well endowed with natural resources. Residents in urban areas tend to practice small and medium enterprises to meet their needs. However, most of these SMEs collapse after some time because of inadequate human capital, knowledge sharing and knowledge transfer. They SMEs owners lack better ways of managing and growing their businesses (Economic Survey, 2012). This is evidenced by World Bank (2014) which noted that many of the Jua Kali SMEs have collapsed in a span of 5 years. Kenya has about 1.6 million registered small and medium sized enterprises constituting about 96 per cent of all business enterprises in the country (Economic Survey, 2009).

SMEs represent the largest sector in the economy employing up to 83% Kenya’s workforce and contributing up to 18.4% of the country’s Gross Domestic Product (GDP) (Economic Survey, 2013). SMEs are therefore an important component of the economy, especially with regard to absorbing a large percentage of the workforce. Good performance of these entities is therefore critical so that they can continue with their economic contribution. However, despite county government efforts of Nairobi and the government of Kenya to promote SME activity, not much progress seems to have been achieved, judging by the poor performance of the informal sector (Perry & Pendleton, 2009). Statistics indicate that while a majority of firms in Kenya are small and large, very few are midsized (Economic Survey, 2013). This is famously known as the missing middle.
In addition, the few midsized firms rarely transform to large firms. For an SME to graduate from being small, midsized to large size, a paradigm shift in knowledge management is required. The entrepreneurs of midsized firms may need to adopt a knowledge management practices that would break the obstacles that inhibit better performance. Marques and Simon (2006) conducted a study on biotechnology and telecommunication SMEs and found a positive relationship between knowledge development, transfer and protection processes with firm performance.

This enhances a conceptual gap for the study. Chang and Chuang (2011) also noted that KM processes enhance firm performance in Taiwan manufacturing industries. This presents a geographical gap for this study. Mohrman et al. (2003) extended the concept of firm effectiveness measured by Gold et al. (2001) by including financial measures, and found a positive relationship between the extents to which firm creates and exploits knowledge with overall firm performances. This study therefore seeks fill the knowledge gap by establishing the effect of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study is to investigate the influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya.

1.3.2 Specific Objectives

The following specific objectives guided the study.
i. To establish the influence knowledge creation on performance of small and medium enterprises in Nairobi City County, Kenya.

ii. To determine the influence knowledge acquisition on performance of small and medium enterprises in Nairobi City County, Kenya.

iii. To assess the influence of knowledge sharing on performance of small and medium enterprises in Nairobi City County, Kenya.

iv. To investigate the influence of knowledge implementation on performance of small and medium enterprises in Nairobi City County, Kenya.

1.4 Research Questions

The study was guided by the following research questions:

i. What is the influence of knowledge creation on performance of small and medium enterprises in Nairobi City County, Kenya?

ii. To what extent does knowledge acquisition affect performance of small and medium enterprises in Nairobi City County, Kenya?

iii. How does knowledge sharing influence performance of small and medium enterprises in Nairobi City County, Kenya?

iv. What is the influence of knowledge implementation on performance of small and medium enterprises in Nairobi City County, Kenya?

1.5 Significance of the Study

SMEs owners would find this study useful as they would have a channel through which they can identify the influence of knowledge management practices on performance. After identification of the influence, the owners and the management of the SMEs would then make appropriate
decisions concerning knowledge management to improve performance. Future researchers would find this study useful for it would provide insight into the influence of knowledge management practices on the performance of SMEs in Nairobi City County. The academic argument will then be able to go further than just identifying poor performance among SME’s in the country, but provide insights about better knowledge management practices and its influence on performance. The researchers would therefore use the findings of this research to advance related argument in future.

1.6 Scope of the Study

This study aimed at determining the influence of knowledge management practices on the performance of the Top SMEs companies in Nairobi City County. The unit of analysis was the top 532 SMEs companies in Nairobi City County. The unit of observation was top management and owners of the 532 SMEs companies who reports to the overall management.

1.7 Limitation of the Study

The study was done using primary data that was be collected by the help of questionnaires. The key challenge that the researcher faced was that respondents were not willing to share information freely on their business. Thus, to overcome this limitation, the researcher assured respondents that any information collected was only to be used for academic purposes. The respondents were busy with their daily activities during data collection. Therefore, it was not possible to collect data in a single day. To overcome this limitation, a drop and pick latter method was used to distribute questionnaires to respondents. This ensured that respondents had ample time to effectively respond to the questionnaires.
1.8 Organization of the Study

The project was organized into three chapters. Chapter one consists of background to the study, statement of problem, purpose of study, objectives, research questions, significance of the study, limitations and delimitations, basic assumptions of the study, definition of key terms and organization of the study. Chapter two consisted of literature review related to the study; theoretical review, empirical review and presentation of conceptual framework. Chapter three included research methodology that was employed in carrying out the study. These included research design, target population, sample size and sampling procedure, research instruments, instruments validity and reliability, data collection procedure and data analysis techniques. Chapter four dealt interpreted the findings of demographic information, descriptive and inferential statistics and key findings. The chapter five presents limitations, contribution to knowledge and areas for further research.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter aims at building a theoretical foundation upon which the project is based. It also reviews existing literature based on the specific objectives of the study to establish the knowledge gaps.

2.2 Theoretical Review

A theoretical review is a collection of interrelated concepts. It guides research to determine what things to measure, and what statistical relationships to look for (Defee et al., 2010). A good research should be grounded in theory (Mentzer et al., 2008). This study is anchored in resource-based view theory, organizational learning theory and knowledge-based theory. These theories clearly explain the research in line with the topic.

2.2.1 Resource Based views Theory

Resource Based views Theory originated from Penrose’s idea (1959) of the firm as a coordinated ‘bundle’ of resources, tackles the question of a firm’s goals and strategic behavior. According to resource-based views, firms perform well and create value when they implement strategies by exploiting their internal resources and capabilities. KM processes which include knowledge acquisition, conversion and application are used to manage and increase firm’s internal resources and improve firm performance.
The knowledge-based views of the firm considers knowledge as the most strategically significant resource of the firm (Grant, 1996) and identify the primary role for the firm in the creation and application of knowledge (Bierly and Daly, 2002). This view considers firm as a ‘distributed knowledge systems’ composed of knowledge-holding employees, and believes firm’s role is to co-ordinate these employees so that they can create knowledge and value for the firm (Spender, 1996). The rationale is that knowledge endows firms with various competencies and capabilities that account for firm performance and competitiveness in the market. Kogut and Zander (1992) suggested that for a firm to remain competitive, it must effectively and efficiently create, locate, capture and share knowledge and expertise in order to apply that knowledge to solve problems and exploit opportunities. Most of the research on the knowledge-based view is process-oriented.

Absorptive capacity is dependent on a firm’s level of prior related knowledge. A firm’s absorptive capacity could be enhanced through KM processes which allow the firm to acquire, convert and apply existing and new knowledge by adding value to internal resources, and at the same time sustain competitiveness in the market. Since this is resource based theory, the organization can efficiently with discipline utilize available resources a practice that can be replicated by the SMEs firms in Kenya to boost their performance. The resources marshaled by Small and Medium Enterprises in Kenya are small and so this theory is very important when budgeting for the available scarce resources.

2.2.2 Organization Learning Theory

Organization learning theory was developed by Scholars Nevis, DiBella, & Goulds’ in 1995. Scholars Nevis, DiBella, & Goulds’ defined organizational learning as reflecting the skills of
creating, acquiring, and transferring knowledge and modifying behavior to reflect new knowledge and insights. Almost all of the published literature reviews on organizational learning agree on the notion that the process of organizational learning starts with acquiring and disseminating information.

Daft and Weick (1984) perceived the abilities of firms to interpret information as the main component of organizational learning. Such learning is said to occur when new knowledge is generated (Huber, 1991). This theory is applicable to our study as it emphasizes on the importance of knowledge to the development of SMEs in Kenya. These SMEs can share knowledge acquired through innovation, new methods of marketing increasing their customer base. Such initiatives increase SMEs’ sales revenue.

2.2.3 Knowledge Based Theory

This theory was first coined by Grant in 1996. This theory supposes that knowledge management practices such as knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing and knowledge implementation play a critical role in achieving high level productivity, financial and human resource performance and finally improving sustainable competitive advantage (Soderberg & Holden, 2002). This theory helps significantly towards realizing the important role of knowledge management. This theory is applicable to our study since SMEs can share knowledge acquired through innovation, new methods of marketing increasing their customer base. Such initiatives increase SMEs’ sales revenue.
2.3 Empirical Review

2.3.1 Knowledge Creation and Performance

Gholami, Asli, Shirkouhi and Noruzy (2013) investigated the Influence of Knowledge Management Practices on Organizational Performance: An Empirical Study. The aim of the study was to investigate the influence of knowledge management practices on organizational performance in small and medium enterprises (SMEs) using structural equation modeling (SEM). A number of 282 senior managers from these enterprises were chosen using simple random sampling and the data were analyzed with the structural equation model. The results showed that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation have significant factor loading on knowledge management; and also productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance.

Hsu (2006) conducted a study on Analysis of Knowledge Creation and its Affecting Factors in the Asynchronous Web-based Learning System. The study by taking asynchronous web-base learning system as an example discussed the relationship of communication mode, e-learning websites design, and knowledge creation. The research design of this study aimed at a structure equation model to test the integrated effects of communication mode and e-learning websites design on knowledge creation. The study research utilized Path analysis to analyze the various variables affecting knowledge creation to see how they affect tactic and explicit knowledge creation. Further, the study used factor analysis method to extract the common factors in different categories in this questionnaire and find out the structural relationship between variables.
Considering the mediating effects on knowledge sharing, the study found that the direct effects of Teacher Involvement, Interaction between students and frequency on tacit knowledge creation were significantly positive. In particularly, Interaction between students had relatively negative indirect effects through tacit knowledge sharing. Finally, Website accessibility and usability had significant direct effect on tacit knowledge creation, and had indirect effects on both tacit and explicit knowledge creation through explicit knowledge sharing. In addition, Curriculum Professionalism was negative correlated with explicit knowledge sharing, and it only had indirect effects on knowledge creation.

Choe (2011) conducted a study on the taxonomy of knowledge management practices in manufacturing firms: Use of target costing and IT infrastructure. Based on the usage levels of target costing systems (TCS) and information technology (IT) infrastructure, this study aimed at developing a framework useful for classifying four types of knowledge management (KM) strategies in manufacturing firms: explorative, exploitative, mixed and negative. They adopted a multi-methodological approach by mixing both qualitative and quantitative methods. Before developing a framework, through a mini-case study of the H Motor Company in Korea, the paper aimed to investigate the functions of TCS in the management of tacit knowledge. The mini-case study indicated that with the use of TCS, a firm can create, transfer and share diverse kinds of tacit knowledge among employees for the facilitation of process innovation.

Uhlaner, van Stel, Meijaard, Folkeringa (2007) conducted a study on the relationship between knowledge management, innovation and firm performance: evidence from Dutch SMEs. The
article investigated the relationship between knowledge management (KM), innovation and firm performance of smaller firms (less than 100 employees), based on a panel of more than 400 Dutch firms. Regression analyses explain the variations in sales turnover growth from various measures of KM strategies. They distinguished between KM input, throughput and output (or innovation) strategies. They found that KM input strategies related to knowledge acquisition are positively related to sales turnover growth. In contrast, they did not find a relation between KM throughput and KM output (innovation) measures and firm performance. The results emphasized the importance of both knowledge absorption and knowledge creation to the success of innovative efforts in small firms.

2.3.2 Knowledge Acquisition and Performance

Gholami, Asli, Shirkouhi and Noruzy (2013) Investigated the Influence of Knowledge Management Practices on Organizational Performance: An Empirical Study. The aim of the study was to investigate the influence of knowledge management practices on organizational performance in small and medium enterprises (SMEs) using structural equation modeling (SEM). A number of 282 senior managers from these enterprises were chosen using simple random sampling and the data were analyzed with the structural equation model. The results showed that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation have significant factor loading on knowledge management; and also productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance.

Mahapa (2013) conducted a study on the Impact of Knowledge management practices on Organizational Performance in the Hospitality Industry of Zimbabwe. The research identified
knowledge management practices and how they impact on organizational performance in the hospitality industry in Zimbabwe. The research made use of the Processes, Intellectual capital, Culture and Strategy (PICS) model which shows a substantial positive relationship between processes, intellectual capital, and knowledge acquisition and knowledge management. The research was based on case studies of 3 hotels in Zimbabwe. Structured interviews were used to elicit information from managerial employees and questionnaires were administered to non-managerial employees. Stratified random sampling was used to select a total 50 participants mainly 15 managerial and 35 non-managerial staff in the research from all the hotels. The findings from this research revealed that the organisations have in place knowledge management practices and these lead to development of new ideas, new products and also new ways of doing things that would eventually lead to improve the organizational performance.

Daud (2012) conducted a study on Knowledge management processes in SMES and large firms: A comparative evaluation. The competitiveness of a firm depends on the quality of knowledge they apply to their business processes. Knowledge management (KM) processes are part of the firm business processes. These processes require turning personal knowledge into corporate knowledge that can be widely shared throughout a firm and appropriately applied. This study examines how SMEs and large firms apply KM processes in their daily business activities and analyse the influence of KM processes on their financial and non-performance.

KM processes comprise knowledge acquisition, conversion and application while firm performance is measured from financial and non-financial perspectives that consist of profit, growth, innovativeness, customer satisfaction, quality and flexibility. Survey questionnaires were distributed to managers at SMEs and large firms. Results showed that the effects of KM
processes on financial and non-performance differ between SMEs and large firms. Findings from the survey could help these firms to enhance their financial and non-performance via appropriate KM processes.

2.3.3 Knowledge Sharing and Performance

Wanjiru and Gathenya (2015) conducted a study on the Role of Knowledge Management on Performance of Social Enterprises in Kenya: A Case Study of Nairobi City County. This study investigated the role of knowledge sharing on performance of social enterprises in Kenya. Ten social enterprises in Nairobi were selected for the study. A sample of 90 individuals was interviewed from the 10 organizations. Data was collected using questionnaires, interview guides and review organizations’ document. Data was analyzed through quantitative and qualitative methods. Most social enterprises document share knowledge as indicated by 65% of the respondents who reported that their organizations had established ways of documenting and sharing knowledge.

Maroofi, Nayebi and dehghani (2013) conducted a study on Strategic Knowledge Management, innovation, sharing and Performance. Their aim was to spread knowledge involving a certain subject of the results of knowledge management (KM) strategies on firm’s innovation and incorporated in performance. The sampling procedure was based on random sampling, with regards to firm size and activity sector. The study consisted of 195 Iranian organizations and structural equations modeling, results show that both KM strategies influences on innovation and organizational performance directly and indirectly. Thus, one of the main final decisions of the research was that KM was found to have significant mechanism of increasing innovation and incorporated in performance.
Choe (2011) conducted a study on the taxonomy of knowledge management practices in manufacturing firms: Use of target costing and IT infrastructure. Based on the usage levels of target costing systems (TCS) and information technology (IT) infrastructure, this study aimed at developing a framework useful for classifying four types of knowledge management (KM) strategies in manufacturing firms: explorative, exploitative, mixed and negative. They adopted a multi-methodological approach by mixing both qualitative and quantitative methods. Before developing a framework, through a mini-case study of the H Motor Company in Korea, the paper aimed to investigate the functions of TCS in the management of tacit knowledge. The mini-case study indicated that with the use of TCS, a firm can create, transfer and share diverse kinds of tacit knowledge among employees for the facilitation of process innovation. They also empirically confirmed the four types of KM strategies, and demonstrated the characteristics (such as, size, total sales, age, and knowledge intensity) of the organizations adopting each strategy.

2.3.4 Knowledge Implementation and Performance

Kombo (2015) conducted a study on Knowledge Strategy, Innovation and implementation in Manufacturing Firms in Kenya. The objective of the study was to empirically examine the effect of knowledge strategy on organizational innovation. The study adopted cross-sectional survey research design. The target population comprised of 655 manufacturing firms in Kenya. The results show that knowledge strategy has a positive and significant effect on innovation activities of the firms. It is concluded that higher levels of knowledge strategy implementation would result in higher organizational innovation.
Gómez and Manzanares (2011) conducted a study on Knowledge management practices, Innovation and Firm Performance an Empirical Study. The study investigated, from the knowledge-based view of the firm, whether there are groups of firms with homogeneous behaviours, as regards to knowledge management practices. The results show important differences in the conception and implementation of KMS, and significant relationships between the performance of some firms and their efficiency in the transmission and application of existing knowledge.

Daud and Yusoff (2010) conducted a study on Knowledge Management and Firm Performance in SMEs: The Role of Social Capital as a Mediating Variable. The study examined knowledge management, social capital and firm performance through the use of a questionnaire directed to small- and medium-sized enterprises all of them situated within the Multimedia Super Corridor in the Klang Valley of Malaysia. The results based on 289 usable questionnaires demonstrated that, knowledge management processes (creation, sharing, acquisition and implementation) influence social capital positively; social capital enhances firm performance; and social capital is a mediator between knowledge management processes and firm performance. The research demonstrated that knowledge management processes (creation, sharing, acquisition and implementation) and social capital can be integrated to enhance firm performance.

Javed (2013) conducted a study on the Importance of Knowledge Management and Factors that Influence and Encourage the Implementation of KM in SMEs. The purpose of this study was to investigate the importance of knowledge management and to identify the factors that influence and encourage the implementation of knowledge management in small and medium enterprises
(SMEs). Qualitative design has been used in this research study to identify knowledge management factors that influence the knowledge management implementation in small organizations. A case study was used and data was collected through interviews from employees of kunjah online service provider. Properly utilizing these factors contribute towards organizational growth.
2.4 Research Gaps

Table 2.1: Research Gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Topic</th>
<th>Findings</th>
<th>Research gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yosuff &amp; Daudi (2010)</td>
<td>Knowledge application and performance in the service industry in UAE</td>
<td>Knowledge application has a positive and significant influence on firm performance</td>
<td>The study was done in UAE and focused on one aspect of KM while the current study is on the Kenyan firms and considers four variables.</td>
</tr>
<tr>
<td>Cabrera &amp; Cabrera (2005)</td>
<td>Knowledge sharing and employee performance in Ghana</td>
<td>Knowledge sharing allows organization to exploit and capitalize on knowledge-based resources</td>
<td>The study did not indicate the cause-effect relationship and only focused on employee performance in Ghana while the current one is on knowledge sharing and firm performance in Kenya.</td>
</tr>
<tr>
<td>Danskin (2005)</td>
<td>Knowledge storage and firm performance in Madagascar</td>
<td>Knowledge is a resource whose storage and use is critical in firm performance</td>
<td>The study did not indicate how knowledge storage affects firm performance but its significance.</td>
</tr>
<tr>
<td>Makere &amp; Eresia-Eke (2014)</td>
<td>Knowledge conversion and organizational performance in Nigeria</td>
<td>Knowledge conversion increases its value and improves firm performance and value chain</td>
<td>The study was done in Nigeria while the current is based in Kenya.</td>
</tr>
<tr>
<td>Becheikh, Ziam, Idrissi, Castonguay and Landry (2012)</td>
<td>Knowledge transfer processes in the education sector in Taiwan</td>
<td>Knowledge transfer aids the empowerment of staff via skills and capacity building.</td>
<td>The study was analytical and did not show the cause-effect relationship.</td>
</tr>
</tbody>
</table>

2.5 Conceptual Framework

Figure 2.1 shows the relationship between the dependent and independent variables tested in the study. The dependent variable in this was performance of SMEs. The indicators of performance
of the SME sector that was studied herein are sales growth, number of branches and profits. The independent variables to be included in the study are knowledge creation, Acquisition, Transfer, Storage, Sharing and Implementation.

**Independent Variables**

**Knowledge Management**

**Creation**
- Conducting research
- Employee training

**Acquisition**
- External survey
- Technological advancement

**Transfer/Sharing**
- Working in groups
- External trainers

**Implementation**
- Experienced employees
- Strategic planners

**Dependent variable**

**Performance**
- Sales growth
- No of branches
- Profits

*Figure 2.1: Conceptual framework*

(Researcher, 2019)
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in this study including the research design, study population, sample design, data collection method, data analysis, research procedures, reliability and validity, and data analysis methods.

3.2 Research Design

Descriptive design was used to conduct this study. This type of study attempts to define and describe a subject by creating a problem profile, events or population by collecting data and tabulating their frequencies or interaction (Mugenda and Mugenda, 2009). The study aimed at collecting data from respondents on their opinions in relation to the effect of knowledge management on performance of SMEs.

3.3 Population

The target population for this study comprised of SME’s in Nairobi City County. In Kenya, classification of enterprises is primarily by the number of employees engaged by firms. The target population for the study was 532 SMEs in Nairobi City County. The respondents were the managers and owners of the SMEs. The managers selected for the study because they had a clear and consistent understanding of the SMEs operations which implied that the results can be generalized without a lot of errors. The population includes education, ICT, construction, engineering, health, manufacturing, retail, hospitality, energy, financial, automotive, real estates, services and logistics in Nairobi City County.
Table 3.1: Target Population

<table>
<thead>
<tr>
<th>SMEs Category</th>
<th>Target Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>37</td>
<td>7.4</td>
</tr>
<tr>
<td>Construction &amp; Engineering</td>
<td>59</td>
<td>11.8</td>
</tr>
<tr>
<td>Hospitality &amp; Hotel services</td>
<td>87</td>
<td>17.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19</td>
<td>3.8</td>
</tr>
<tr>
<td>Automobiles &amp; Logistics</td>
<td>64</td>
<td>12.8</td>
</tr>
<tr>
<td>Retailing</td>
<td>103</td>
<td>20.6</td>
</tr>
<tr>
<td>Financial</td>
<td>39</td>
<td>7.8</td>
</tr>
<tr>
<td>Energy</td>
<td>41</td>
<td>8.2</td>
</tr>
<tr>
<td>Others</td>
<td>83</td>
<td>16.5</td>
</tr>
<tr>
<td>Total</td>
<td>532</td>
<td>100</td>
</tr>
</tbody>
</table>

(Researcher, 2018)

3.4 Sampling Design

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. According to Mugenda and Mugenda (2003) a sample of 30% is good enough to represent a target population. From the above population of 532 the researcher had a sample of 30% using stratified random sample as follows:

Table 3.2: Sample Size

<table>
<thead>
<tr>
<th>SMEs Category</th>
<th>Target Population</th>
<th>Ratio</th>
<th>Sample Size (30%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>37</td>
<td>0.3</td>
<td>11</td>
</tr>
<tr>
<td>Construction &amp; Engineering</td>
<td>59</td>
<td>0.3</td>
<td>18</td>
</tr>
<tr>
<td>Hospitality &amp; Hotel services</td>
<td>87</td>
<td>0.3</td>
<td>22</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19</td>
<td>0.3</td>
<td>6</td>
</tr>
<tr>
<td>Automobiles &amp; Logistics</td>
<td>64</td>
<td>0.3</td>
<td>19</td>
</tr>
<tr>
<td>Retailing</td>
<td>103</td>
<td>0.3</td>
<td>31</td>
</tr>
<tr>
<td>Financial</td>
<td>39</td>
<td>0.3</td>
<td>16</td>
</tr>
<tr>
<td>Energy</td>
<td>41</td>
<td>0.3</td>
<td>13</td>
</tr>
<tr>
<td>Others</td>
<td>83</td>
<td>0.3</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>532</td>
<td></td>
<td>150</td>
</tr>
</tbody>
</table>

(Researcher, 2018)
3.5 Data Collection Instruments

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. The study used primary data. Primary data refers to information that a researcher gathers from the field Kothari (2008). Primary data was obtained from the original sources using questionnaires. The questionnaires were administered through drop and pick method to the respondents working in the selected SMEs.

3.6 Data Collection Procedure

The researcher informed the respondents that the instruments being administered were for research purpose only and the response from the respondents was kept confidential. The researcher obtained an introductory letter from the University in order to collect data from the field and then personally deliver the questionnaires to the respondents so that they can be filled in and then collect the questionnaires later. The drop and pick later method were used in the study.

3.6 Validity and Reliability of the Research Instruments

3.6.1 Reliability of the Research Instruments

Reliability is the degree at which results obtained from a survey is consistent after interpreted number of times. Reliability of the research study was measured using Cronbach alpha as a coefficient of internal consistency. To ensure reliability, the questionnaires was pre-tested on a pilot scale through selected respondents outside the study area. The objectives of pre-testing
allowed for modification of various questions in order to rephrase, clarify and or clear up any shortcomings in the questionnaires before administering them to the actual respondents.

3.6.2 Validity of the Research Instruments

Validity is the degree to which the test measures what it is supposed to measure. The questionnaire was in line with the definition used in the research. When a measure is reliable and valid the results can be correctly utilized and understood (Elstak, 2013). Validity of the instrument was established by the research supervisor. To ensure content validity, the questionnaires was subjected to thorough examination by two randomly selected SMEs company owners. They were asked to evaluate the statements in the questionnaire for relevance and whether they were meaningful. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. Their review comments were used to ensure that content validity is enhanced.

3.7 Data Analysis and presentation

After quantitative data is obtained through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keyed into statistical package for social sciences (SPSS) version 23.0 for analysis. The statistics generated descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the inferential statistics included a multiple linear regression model. Descriptive statistics including the means and standard deviations used to analyze the data and capture the characteristics of the variables under the study. Inferential statistics was used to test the nature and magnitude of the relationship between dependent and independent variables. Multiple regression analysis and Pearson’s correlations was computed to determine the nature and the strength of the relationship among the variables.
The multiple linear regression models were used to measure the relationship between the independent variables and the dependent variable which are explained in the model.

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \]

Where: \( Y = \) Performance of SMEs

- \( X_1 = \) Knowledge creation
- \( X_2 = \) Knowledge acquisition
- \( X_3 = \) Knowledge sharing
- \( X_4 = \) Knowledge implementation

In the model, \( a \) is the constant term while the coefficient \( \beta_1 \) to \( \beta_4 \) are used to measure the sensitivity of the dependent variable (\( Y \)) to unit change in the independent variable (\( X_1, X_2, X_3, X_4 \)). \( e \) is the error term which captures the unexplained variations in the model. The results will be presented in form of tables and pie charts.

**3.8 Ethical Considerations**

Ethical considerations relate to the moral standards that the study considered in all research methods in all stages of the research process. The researcher got consent from all respondents before handing over the questionnaire. The identity of people from whom information was obtained in the course of the study was kept strictly confidential. The nature and purpose of the research was explained to the respondents and was assured that the data collected was not used for other purpose other than academic research.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the analyzed data, presentation and interpretation. The study relied on primary data that was collected by use of structured questionnaires. The collected data was then coded into SPSS Version 23.0 for analysis and presentation. The findings are presented in the form of figures and tables.

4.1.1 Response Rate

The sample size of the study was 150 managers and owners of the SMES in Nairobi county. The researcher therefore distributed questionnaires to all of the respondents. 117% of the questionnaires were duly filled and returned to the questionnaires. This gave a response rate of 78% which is deemed sufficient for the study. This is supported by Mugenda and Mugenda (2013) who states that a response rate of 50% and above is deemed sufficient for the study. The findings are as shown in Figure 4.1.

![Response Rate Pie Chart]

Figure 4.1: Response Rate
4.1.2 Reliability Test

The study carried out a reliability test to establish the reliability of the research instruments, a pilot test was carried out and a Cronbach alpha computed. The findings are as shown in Table 4.1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Creation</td>
<td>5</td>
<td>.825</td>
</tr>
<tr>
<td>Knowledge Acquisition</td>
<td>5</td>
<td>.799</td>
</tr>
<tr>
<td>Knowledge Transfer/Sharing</td>
<td>5</td>
<td>.783</td>
</tr>
<tr>
<td>Knowledge Implementation</td>
<td>5</td>
<td>.801</td>
</tr>
</tbody>
</table>

The study established that knowledge creation had a coefficient Cronbach alpha of 0.825, knowledge acquisition had a Cronbach alpha coefficient of 0.799, knowledge transfer/sharing had a Cronbach alpha coefficient of 0.783 and knowledge implementation had a Cronbach alpha of 0.801. The study established that all the variables had a Cronbach alpha of above 0.7 an indication that the research instruments were sufficient to carry out the study. This is supported by Cronbach (1951) who asserts that a Cronbach alpha of 0.7 and above is sufficient for the study.

4.2 Demographic Information

The researcher asked the respondents to indicate their demographic information to assess their relevance in the study. The findings of gender, highest level of education, length of service and position are as shown in subsequent sections.

4.2.1 Gender

The respondents were asked to indicate their gender, the findings are as shown in Figure 4.2.
The study established that majority of the respondents 62% were male followed by 38% who were female. This shows that majority of SMES in Nairobi management level and owners were male.

4.2.2 Highest Level of Education

The researcher asked the respondents to indicate their highest level of education. The findings are as shown in Figure 4.2.

The study established that majority of the respondents 64% highest level of education was university degree, followed by 27% whose highest level of education was college, 5% had
secondary level and 3% had postgraduate degrees. The study shows that majority of the SMEs owners and managers were educated hence increasing their competence level in running the SMEs.

### 4.2.3 Length of Service

Respondents were asked to indicate how many years they had worked in the enterprise; the findings are as shown in Figure 4.4.

![Figure 4.4: Length of Service](chart)

The study found out that 49% of the respondents’ length of service was 3-5 years, followed by 29% whose length of service was less than 2 years and 22% had severed for more than 5 years. This shows that majority of the respondents had been in business for more than 3 years an indication that they had gained skills for running the business.

### 4.2.4 Position

The researcher asked the respondents to indicate their current position in the company. The findings are as shown in Figure 4.5.
The study established that 42% of the respondents held supervisory position followed by 37% who held middle management level and 21% had top management level. This shows that all the management levels were presented in the study an indication that the researcher was not biased and relevant information was sought.

4.3 Descriptive Statistics

The researcher carried out descriptive statistics to establish the level of agreement on each statement per study variables. The findings are as shown in subsequent sections.

4.3.1 Performance of Small and Medium Enterprises

Respondents were asked to indicate their views on the way the SME’s were performing on each of the following statement on performance. A scale of 1-5 was used where: 1= Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly disagree was used. The findings are as shown in Table 4.2.
Table 4.2: Performance of Small and Medium Enterprises

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SME has experienced an improvement in profitability</td>
<td>3.896</td>
<td>.917</td>
</tr>
<tr>
<td>The SME has experienced an improvement in total Return on Assets (ROA)</td>
<td>3.742</td>
<td>1.043</td>
</tr>
<tr>
<td>The SME has experienced an improvement in total Return on Investment (ROI)</td>
<td>3.798</td>
<td>.894</td>
</tr>
<tr>
<td>The SME has experienced an improvement in Debt Equity Ratio</td>
<td>3.416</td>
<td>.795</td>
</tr>
</tbody>
</table>

The findings in Table 4.2 pointed out that majority of the respondents agreed that the SME had experienced an improvement in profitability as supported by a mean of 3.896 with standard deviation of 0.917. Majority of the respondents agreed that the SME had experienced an improvement in total Return on Assets (ROA) as supported by a mean of 3.798 with standard deviation of 1.043. Majority of the respondents agreed that the SME had experienced an improvement in total Return on Investment (ROI) as supported by a mean of 3.798 with standard deviation of 0.894.

The study further pointed pit that majority of the respondents moderately agreed that the SME had experienced an improvement in Debt Equity Ratio as supported by a mean of 3.416 with standard deviation of 0.795. This is supported by Gholami, Asli, Shirkouhi and Noruzy (2013) who showed that knowledge acquisition, knowledge storage, knowledge creation, knowledge sharing, and knowledge implementation have significant factor loading on knowledge management; and also, productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance.

4.3.2 Knowledge Creation and Performance of SMES

The respondents were asked to examine the influence of knowledge creation on the performance of SMEs in Nairobi City County. A Likert scale of 1-5 was used where; 1= Strongly agree, 2=...
Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly disagree was used. The findings are as shown in Table 4.3.

### Table 4.3: Knowledge Creation and Performance of SMES

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge enables creation of new products and services to meet customer need.</td>
<td>3.914</td>
<td>.925</td>
</tr>
<tr>
<td>Our SMEs are encouraged to innovate for better services</td>
<td>3.893</td>
<td>.886</td>
</tr>
<tr>
<td>We use knowledge created to utilize available resources efficiently</td>
<td>3.441</td>
<td>.952</td>
</tr>
<tr>
<td>Our SME firm empress knowledge creation to obtain competitive advantage</td>
<td>3.687</td>
<td>.875</td>
</tr>
</tbody>
</table>

The study found out that majority of the respondents agreed that knowledge enabled creation of new products and services to meet customer need as shown by a mean of 3.914 with standard deviation of 0.925. Respondents agreed that their SMEs were encouraged to innovate for better services as supported by a mean of 3.893 with standard deviation of 0.886. This is supported by Gholami, Asli, Shirkouhi and Noruzy (2013) who showed that knowledge acquisition had significant factor loading on knowledge management and productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance.

Respondents moderately agreed that they used knowledge created to utilize available resources efficiently as supported by a mean of 3.441 with standard deviation of 0.952. The study further established that majority of the respondents agreed that their SME firm empress’s knowledge creation to obtain competitive advantage as supported by a mean of 3.687 with standard deviation of 0.875. This is supported by Hsu (2006) who established that knowledge creation has a structural relationship with performance. Similarly, Choe (2011) established that the use of TCS, a firm can create, transfer and share diverse kinds of tacit knowledge among employees for the facilitation of process innovation.
4.3.3 Knowledge Acquisition and Performance of SMES

The respondents were asked to examine the influence of knowledge acquisition on the performance of SMEs in Nairobi City County. A Likert scale of 1-5 was used where; 1 = Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly disagree was used. The findings are as shown in Table 4.4.

Table 4.4: Knowledge Acquisition and Performance of SMES

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our SME conducts external survey to acquire more knowledge</td>
<td>3.589</td>
<td>1.042</td>
</tr>
<tr>
<td>Our SMEs sent our employees for external training</td>
<td>3.394</td>
<td>.973</td>
</tr>
<tr>
<td>Our SME puts great importance in hiring skilled employees</td>
<td>3.746</td>
<td>.984</td>
</tr>
<tr>
<td>We put great importance on technological advancement</td>
<td>3.674</td>
<td>1.081</td>
</tr>
</tbody>
</table>

The study found out that majority of the respondents agreed that their SME conducted external survey to acquire more knowledge as supported by a mean of 3.589 with standard deviation of 1.042. Respondents moderately agreed that SMEs sent their employees for external training as supported by a mean of 3.394 with standard deviation of .9973. This is supported by Mahapa (2013) who revealed that the organizations had in place knowledge management practices and these lead to development of new ideas, new products and also new ways of doing things that would eventually lead to improve the organizational performance.

Respondents agreed that their SME puts great importance in hiring skilled employees as supported by a mean of 3.746 with standard deviation of 0.984. The study further established that respondents agreed that they put great importance on technological advancement as supported by a mean of 3.674 with standard deviation of 1.081. This is supported by Uhlaner, van Stel, Meijaard, Folkeringa (2007) who found that KM input strategies related to knowledge acquisition are positively related to sales turnover growth.
4.3.4 Knowledge Sharing and Performance of SMES

The respondents were asked to examine the influence of knowledge sharing on the performance of SMEs in Nairobi City County. A Likert scale of 1-5 was used where; 1 = Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly disagree was used. The findings are as shown in Table 4.5.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our SME empress’s knowledge sharing as a key driver to innovation</td>
<td>3.768</td>
<td>1.084</td>
</tr>
<tr>
<td>Our SME firm organizes meetings to enable sharing of knowledge</td>
<td>3.694</td>
<td>1.042</td>
</tr>
<tr>
<td>External experts are invited to share knowledge to our employees</td>
<td>3.436</td>
<td>1.042</td>
</tr>
<tr>
<td>To achieve technological advantage, our SME encourage knowledge sharing on current issues</td>
<td>3.583</td>
<td>.934</td>
</tr>
</tbody>
</table>

The study pointed out that majority of the respondents agreed that their SME impressed knowledge sharing as a key driver to innovation as supported by a mean of 3.768 with standard deviation of 1.084. Majority of the respondents agreed that their SME firm organized meetings to enable sharing of knowledge as shown by a mean of 3.694 with standard deviation of 1.042. The study established that majority of the respondents moderately agreed that external experts were invited to share knowledge to our employees as supported by a mean of 3.436 with standard deviation of 1.042. The study further established that majority of the respondents agreed that achieved technological advantage, their SME encouraged knowledge sharing on current issues as supported by a mean of 3.583 with standard deviation of 0.934. The findings are supported by Maroofi, Nayebi and dehghani (2013) who established that KM was had significant mechanism of increasing innovation and incorporated in performance.

4.3.5 Knowledge Implementation and Performance of SMES

The respondents were asked to examine the influence of knowledge implementation on the performance of SMEs in Nairobi City County. A Likert scale of 1-5 was used where; 1=
Strongly agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly disagree was used. The findings are as shown in Table 4.2.

Table 4.6: Knowledge Implementation and Performance of SMES

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>We address the problem of poor strategic business planning through effective knowledge implementation</td>
<td>3.693</td>
<td>1.082</td>
</tr>
<tr>
<td>In order to make rational decisions regarding our SME knowledge implementation is key driver</td>
<td>3.582</td>
<td>.918</td>
</tr>
<tr>
<td>Our SMEs business has a panel of experts in implementing knowledge management practices</td>
<td>3.391</td>
<td>.872</td>
</tr>
<tr>
<td>Our SME involves all departments when implementing KM</td>
<td>3.962</td>
<td>.718</td>
</tr>
</tbody>
</table>

The study found out that majority of the respondents agreed that they addressed the problem of poor strategic business planning through effective knowledge implementation as supported by a mean of 3.693 with standard deviation of 1.082. Majority of the respondents agreed that in order to make rational decisions regarding their SME knowledge implementation was key driver as supported by a mean of 3.582 with standard deviation of 0.918. This is supported by Kombo (2015) who established that knowledge strategy had a positive and significant effect on innovation activities of the firms.

Respondents moderately agreed that SMEs business had a panel of experts in implementing knowledge management practices as supported by a mean of 3.391 with standard deviation of 0.872. Majority of the respondents agreed that their SME involved all departments when implementing KM as supported by a mean of 3.962 with standard deviation of 0.718. This agrees with Daud and Yusoff (2010) who established that knowledge management processes (creation, sharing, acquisition and implementation) and social capital can be integrated to enhance firm performance.
4.4 Inferential Statistics

The study conducted correlation and regression analysis to investigate the influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya. The findings are as shown in subsequent sections.

4.4.1 Correlation Analysis

The study conducted correlation analysis to establish the relationship between knowledge management practices and performance of small and medium enterprises in Nairobi City County, Kenya. The findings are presented in Table 4.7.

**Table 4.7: Correlation Analysis**

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
<th>Creation Acquisition</th>
<th>Sharing</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Pearson</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Sig. (2-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Creation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.720**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-Tailed)</td>
<td></td>
<td></td>
<td>.726**</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td>114</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Knowledge Acquisition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.812**</td>
<td></td>
<td>.714**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-Tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td>114</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Knowledge Sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.701**</td>
<td></td>
<td>.638**</td>
<td>.714**</td>
</tr>
<tr>
<td>Sig. (2-Tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td>114</td>
<td>114</td>
<td>114</td>
</tr>
<tr>
<td>Knowledge Implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.596**</td>
<td></td>
<td>.596**</td>
<td>.573**</td>
</tr>
<tr>
<td>Sig. (2-Tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>114</td>
<td>114</td>
<td>114</td>
<td>114</td>
</tr>
</tbody>
</table>
Table 4.7 indicates the findings of correlation analysis. Huber (2004) state the interpretation results of linear relationship between variables. A weak correlation ranges from “r” ranges from ± 0.10 to ± 0.29; in a moderate correlation, “r” ranges between ±0.30 and ±0.49; while in a strong correlation, “r” ranges from ±0.5 and ± 0.9.

The study found out that knowledge creation had a Pearson correlation of 0.720 an indication of a strong positive correlation with performance and a p value of 0.00 <0.05 an indication that the variable significantly influenced performance. Knowledge acquisition had a Pearson correlation value of 0.812 an indication of a strong correlation with performance and a p value of 0.00<0.05 an indication that the variable significantly influenced performance. Knowledge sharing had a Pearson correlation of 0.701 an indication of a strong correlation with performance and a p value of 0.00<0.05 an indication that the variable significantly influenced performance. The study further established that knowledge implementation had a Pearson correlation of 0.596 an indication of indication of a strong correlation with performance and a p value of 0.00<0.05 an indication that the variable significantly influenced performance.

4.4.2 Regression Analysis

The study carried out regression analysis to establish the influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya. The findings of Model Summary, ANOVA and Regression Coefficients are indicated in subsequent sections.
4.4.2.1 Model Summary

The findings of coefficient of correlation and coefficient of determination are as indicate in Table 4.8.

**Table 4.8: 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>.865a</td>
<td>.749</td>
<td>.736</td>
<td>1.48599</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Knowledge Creation, Knowledge Acquisition, Knowledge Sharing, Knowledge Implementation

According to Table 4.8, coefficient of correlation R was 0.865 an indication of strong positive correlation between variables. Adjusted coefficient of determination $R^2$ was 0.736 which translates to 73.6%. This means that 73.6% variation in performance can be attributed by the following: knowledge creation, knowledge acquisition, knowledge sharing, knowledge implementation. The residual of 26.4% can be attributed to other factors beyond the scope of the current study.

4.4.2.2 ANOVA

An ANOVA was carried out at 5% level of significance. A comparison between $F_{Calculated}$ and $F_{Critical}$ was carried out. The findings are as indicated in Table 4.9.

**Table 4.9: ANOVA**

<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>Regression</td>
<td>494.188</td>
<td>4</td>
<td>123.547</td>
<td>83.534</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>165.612</td>
<td>112</td>
<td>1.479</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>659.800</td>
<td>116</td>
<td>1.479</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance  
b. Predictors: (Constant), leadership practices, leadership networking, leadership styles, leadership competency

From the findings, $F_{Calculated}$ was 83.534 and $F_{Critical}$ was 2.4936. Since $F_{Calculated} > F_{Critical}$, this indicates that the overall regression model significantly influenced the study. The p value was
0.00<0.05 an indication that at least one variable influenced performance of small and medium enterprises in Nairobi City County, Kenya.

### 4.4.2.3 Coefficients

To determine the individual factor influencing performance of non-governmental organizations in Kiambu County, the following coefficient were generated.

#### Table 4.10: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.149</td>
<td>1.367</td>
<td>.841</td>
<td>.403</td>
</tr>
<tr>
<td>Knowledge Creation</td>
<td>.275</td>
<td>.071</td>
<td>.315</td>
<td>3.901</td>
</tr>
<tr>
<td>Knowledge Acquisition</td>
<td>.465</td>
<td>.099</td>
<td>.442</td>
<td>4.693</td>
</tr>
<tr>
<td>Knowledge Transfer/Sharing</td>
<td>.239</td>
<td>.097</td>
<td>.228</td>
<td>2.472</td>
</tr>
<tr>
<td>Knowledge Implementation</td>
<td>.392</td>
<td>.095</td>
<td>.310</td>
<td>4.125</td>
</tr>
</tbody>
</table>

a. Dependent Variable: performance

The resultant equation becomes;

\[ Y = 1.149 + 0.275X_1 + 0.465X_2 + 0.239X_3 + 0.392X_4 \]

Where:

- \( Y \) = Performance of SMEs
- \( X_1 \) = Knowledge creation
- \( X_2 \) = Knowledge acquisition
- \( X_3 \) = Knowledge sharing
- \( X_4 \) = Knowledge implementation

From the findings, if all factors were held constant (leadership practices, leadership networking, leadership styles and leadership competency), performance of small and medium enterprises in Nairobi City County, Kenya would be at 1.149. An increase in knowledge creation when holding all the variables constant would lead to increase in performance of non-governmental
organizations by 0.275. An increase in knowledge acquisition while holding all the variables constant would lead to increase in performance by 0.465. An increase in knowledge sharing when holding all the variables constant would lead to an increase in performance by 0.239. An increase in knowledge implementation while holding all the variables constant would lead to decrease in performance by 0.012.

The p value of knowledge creation, knowledge acquisition, knowledge sharing and knowledge implementation were less than 0.05 and the t values were greater than 1.96 an indication that the variables significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya.

4.5 Key Findings and Discussions

On knowledge creation, the study established that knowledge creation significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya. This was due to the following factors; knowledge enabled creation of new products and services to meet customer need. SMEs were encouraged to innovate for better services and respondents used knowledge created to utilize available resources efficiently. This is supported by Gholami, Asli, Shirkouhi and Noruzy (2013) who showed that knowledge acquisition had significant factor loading on knowledge management and productivity, performance, staff performance, innovation, work relationships, and customer satisfaction have significant factor loading on organizational performance.

On knowledge acquisition, the study established that knowledge acquisition significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya. The study established that SME firm empress’s knowledge creation to obtain competitive advantage
knowledge acquisition significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya. SME conducted external survey to acquire more knowledge, puts great importance in hiring skilled employees and on technological advancement. This is supported by Mahapa (2013) who revealed that the organizations had in place knowledge management practices and these lead to development of new ideas, new products and also new ways of doing things that would eventually lead to improve the organizational performance.

On knowledge sharing, the study established that knowledge sharing significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya. The study pointed out that SME empress’s knowledge sharing as a key driver to innovation, SME firm organized meetings to enable sharing of knowledge and SME encouraged knowledge sharing on current issues to achieve technological advantage. This agrees with Maroofi, Nayebi and dehghani (2013) who established that KM was had significant mechanism of increasing innovation and incorporated in performance.

On knowledge implementation, the study further established that knowledge implementation significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya. The study pointed out that respondents addressed the problem of poor strategic business planning through effective knowledge implementation, SME knowledge implementation was a key driver in order to make rational decisions regarding and SME involved all departments when implementing KM. This agrees with Daud and Yusoff (2010) who established that knowledge management processes (creation, sharing, acquisition and implementation) and social capital can be integrated to enhance firm performance.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings as drawn in chapter four per objective. Conclusion and recommendation are drawn as per the study findings. The chapter also presents limitations, contribution to knowledge and areas for further research.

5.2 Summary of the Findings

The specific objectives of the study were; to establish the influence knowledge creation on the performance of small and medium enterprises in Nairobi City County, Kenya. To determine the influence knowledge acquisition on the performance of small and medium enterprises in Nairobi City County, Kenya. To assess the influence of knowledge sharing on the performance of small and medium enterprises in Nairobi City County, Kenya. To investigate the influence of knowledge implementation on the performance of small and medium enterprises in Nairobi City County, Kenya. The study adopted descriptive research design. The target population for the study was 532 SMEs in Nairobi City County and used primary data. descriptive statistics and inferential statistics were generated.

On knowledge creation, the study established that majority of the respondents agreed that knowledge enabled creation of new products and services to meet customer need. Majority of the respondents agreed that their SMEs were encouraged to innovate for better services. Majority of the respondents agreed that their SME firm empress’s knowledge creation to obtain competitive advantage. Majority of the respondents moderately agreed that they used knowledge created to utilize available resources efficiently. The findings of regression coefficient established that
knowledge creation significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya.

On knowledge acquisition, the study established that majority of the respondents agreed that their SME conducted external survey to acquire more knowledge. Majority of the respondents agreed that their SME puts great importance in hiring skilled employees. Majority of the respondents agreed that they put great importance on technological advancement. Majority of the respondents moderately agreed that SMEs sent their employees for external training. The findings of regression analysis established that knowledge acquisition significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya.

On knowledge sharing, the study established that majority of the respondents agreed that their SME impressed knowledge sharing as a key driver to innovation. Majority of the respondents agreed that their SME firm organized meetings to enable sharing of knowledge. Majority of the respondents agreed that achieved technological advantage, their SME encouraged knowledge sharing on current issues. Majority of the respondents moderately agreed that external experts were invited to share knowledge to our employees. The findings of regression analysis established that knowledge sharing significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya.

On knowledge implementation, the study found out that majority of the respondents agreed that they addressed the problem of poor strategic business planning through effective knowledge implementation. Majority of the respondents agreed that in order to make rational decisions regarding their SME knowledge implementation was key driver. Majority of the respondents agreed that their SME involved all departments when implementing KM. Respondents moderately agreed that SMEs business had a panel of experts in implementing knowledge
management practices. The findings of regression analysis established that knowledge implementation significantly influenced performance of small and medium enterprises in Nairobi City County, Kenya.

5.3 Conclusion

The study concludes that knowledge creation enabled creation of new products and services to meet customer need and satisfaction for increased loyalty. SMEs were encouraged to innovate for better services for better productivity and increased returns. SME firm’s embraces’ knowledge creation to obtain competitive advantage to their competitors. SMEs enterprises used knowledge created to utilize available resources efficiently.

The study concludes that their SME conducted external survey to acquire more knowledge on customer retention. SMEs were careful while hiring and put importance in hiring skilled employees for improved and better performance. SMEs put great importance on technological advancement and embraced technology in their daily running of the business. SMEs sent their employees for external training to increase their competence levels for better productivity.

The study concludes that SME impressed knowledge sharing as a key driver to innovation and productivity. SME firm organized meetings to enable sharing of knowledge and borrowing of better ideas to the enterprises. SMEs achieved technological advantage by encouraging knowledge sharing on current issues. External experts were invited to share knowledge to SMES employees to increase their competency and efficiency level.

The study further concludes that SMEs addressed the problem of poor strategic business planning through effective knowledge implementation. SMEs took a rational decision as a key driver to knowledge implementation. SMEs involved all departments for better exchange of
views when implementing knowledge management. SMEs business had a panel of experts in implementing knowledge management practices for better productivity and increased performance.

5.4 Recommendations

The study recommends that knowledge creation ought to enable creation of new products and services to meet customer need and satisfaction for increased loyalty. SMEs ought to be encouraged to innovate better services for better productivity and increased returns. SME firm’s ought to empress’s knowledge creation to obtain competitive advantage to their competitors. SMEs enterprises ought to use knowledge created to utilize available resources efficiently.

The study recommends that their SME ought to conduct external survey to acquire more knowledge on customer retention. SMEs ought to be careful while hiring and put importance in hiring skilled employees for improved and better performance. SMEs ought to put great importance on technological advancement and embraced technology in their daily running of the business. SMEs ought to send their employees for external training to increase their competence levels for better productivity.

The study further recommends that SME ought to empress knowledge sharing as a key driver to innovation and productivity. SME firm ought to organized meetings to enable sharing of knowledge and borrowing of better ideas to the enterprises. SMEs ought to achieve technological advantage by encouraging knowledge sharing on current issues. External experts ought to be invited to share knowledge to SMES employees to increase their competency and efficiency level.
The study recommends that SMEs ought to address the problem of poor strategic business planning through effective knowledge implementation. SMEs ought to take a rational decision as a key driver to knowledge implementation. SMEs ought to involve all departments for better exchange of views when implementing knowledge management. SMEs business ought to have a panel of experts in implementing knowledge management practices for better productivity and increased performance.

5.5 Limitations

Some respondents were not willing to give information fearing victimization by the manager. The study relied on primary data which was collected by use of structured questionnaires. The current study focused on the influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya, hence the study was limited in Nairobi County.

5.6 Contribution to Knowledge

SMEs owners would benefit from the study since would have a channel through which they can identify the influence of knowledge management practices on performance. Future researchers would provide insight into the influence of knowledge management practices on the performance of SMEs in Nairobi City County. The academic argument would provide insights about better knowledge management practices and its influence on performance. The findings of this study were also relevant to future scholars and researchers by acting as a source of literature for their future studies on the subject of performance of small and medium enterprises in Nairobi City County, Kenya.
5.7 Areas for Further Research

The study current study focused on the influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya, future ought to carry out similar studies on different counties. The current study relied on primary data, future scholars ought to carry out similar study by use of secondary data. The current study had an adjusted coefficient of determination $R^2$ was 0.736 which translates to 73.6%, the residual of 26.4% can be attributed to other factors beyond the scope of the current study that future scholars ought to focus on.
REFERENCES


Bhatti, K. K., & Qureshi, T. M. (2007). Impact of Employee Participation on Job Satisfaction, Employee Commitment and Employee Productivity. International Review of Business Research Papers, 3(2), 54-68


53

Business Strategies, and Enterprise Performance, Journal of Small Business


APPENDICES

APPENDIX I: Letter of Introduction

Dear Sir/ Madam,

RE: REQUEST FOR PARTICIPATION IN RESEARCH

I am post graduate student at Kenyatta University pursuing a Masters Degree in the School of Business Corporate. I am carrying out a study on influence of knowledge management practices on the performance of small and medium enterprises in Nairobi City County, Kenya.

I kindly request you to assist me gather information in your institution. The information provided will only be used for the purpose of this study and the identities of the respondents will be held in strict confidence.

Yours faithfully,

JANE
APPENDIX II: Questionnaire

Kindly answer the following questions as honestly and accurately as possible. The information given will be treated with a lot of confidentiality. Please do not write your name anywhere on this questionnaire. You are encouraged to give your honest opinion.

PART 1: DEMOGRAPHIC INFORMATION

Section A: General /Demographic Data

1. Kindly indicate your gender
   
   a) Male 
   
   b) Female 

2. Please indicate the highest level of education you have ever attained
   
   a) Secondary level 
   
   b) College level 
   
   c) University level 
   
   d) Post graduate level 

3. How many years have you worked in the enterprise?
   
   a) Less than 2 years 
   
   b) 3 to 5 years 
   
   c) Over 5 years 

4. What is your position?
   
   a) Top management level 
   
   b) Middle management level 
   
   c) Supervisory level 

**Section B: Performance of Small and Medium Enterprises**

What are your views on the way the SME’s are performing on each of the following performance indicators? Please tick (√) the answer that reflects your opinion in the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Moderately Agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The SME has experienced an improvement in profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 The SME has experienced an improvement in total Return on Assets (ROA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 The SME has experienced an improvement in total Return on Investment (ROI)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 The SME has experienced an improvement in Debt Equity Ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Section C: Knowledge Creation and Performance of SMES**

6. Knowledge creation

This section seeks to examine the influence of knowledge creation on the performance of SMEs in Nairobi City County. Please tick (√) the answer that reflects your opinion in the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Moderately Agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Knowledge enables creation of new products and services to meet customer need.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Our SMEs are encouraged to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statement</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Moderately Agree</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>----------</td>
<td>------------------</td>
<td>-------</td>
<td>----------------</td>
</tr>
<tr>
<td>innovate for better services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3 We use knowledge created to utilize available resources efficiently</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Our SME firm empress knowledge creation to obtain competitive advantage</td>
<td></td>
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</tbody>
</table>

Section D: Knowledge Acquisition and Performance of SMES

7. Knowledge acquisition
This section seeks to examine the influence of knowledge acquisition on the performance of SMEs in Nairobi City County. Please tick (√) the answer that reflects your opinion in the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Moderately Agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Our SME conducts external survey to acquire more knowledge</td>
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<tr>
<td>2 Our SMEs sent our employees for external training</td>
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<tr>
<td>3 Our SME puts great importance in hiring skilled employees</td>
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<tr>
<td>4 We put great importance on</td>
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</tbody>
</table>
Section E: Knowledge Sharing and Performance of SMES

7. Knowledge sharing

This section seeks to examine the influence of knowledge sharing on the performance of SMEs in Nairobi City County. Please tick (✓) the answer that reflects your opinion in the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Moderately Agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our SME empresses knowledge sharing as a key driver to innovation</td>
<td></td>
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<tr>
<td>2. Our SME firm organizes meetings to enable sharing of knowledge</td>
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<tr>
<td>3. External experts are invited to share knowledge to our employees</td>
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<tr>
<td>4. To achieve technological advantage, our SME encourage knowledge sharing on current issues</td>
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</tbody>
</table>
7. Knowledge implementation

This section seeks to examine the influence of knowledge implementation on the performance of SMEs in Nairobi City County. Please tick (√) the answer that reflects your opinion in the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Moderately agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We address the problem of poor strategic business planning through effective knowledge implementation</td>
<td></td>
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<tr>
<td>2. In order to make rational decisions regarding our SME knowledge implementation is key driver</td>
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<tr>
<td>3. Our SMEs business has a panel of experts in implementing knowledge management practices</td>
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<tr>
<td>4. Our SME involves all departments when implementing KM</td>
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</tbody>
</table>