

**KNOWLEDGE MANAGEMENT AS A STRATEGY FOR ACHIEVING COMPETITIVE
ADVANTAGE AMONG SAVINGS AND CREDIT COOPERATIVES (SACCOS) IN
NAIROBI COUNTY, KENYA**

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ABSTRACT

Savings and Credit Cooperative (SACCO) movement in Kenya play a critical role in national development by reducing poverty amongst citizens. This is demonstrated in the Kenya Financial Sector Stability Report of 2015 which indicates that the sector to date has mobilized savings to the tune of Kenya shillings 420 billion. It has an asset base of Kenya shillings 500 billion which accounts for 35% of the National savings. However, the SACCO sector faces numerous challenges which include, weak processes, shifting markets, rapid product obsolesces, high competition and financial upheaval. The aim of this study was, therefore, to explore knowledge management as a strategy for achieving competitive advantage among SACCOs in Nairobi County, Kenya, and propose a knowledge management framework which SACCOs can adopt. The study assumed that by harnessing knowledge management assets, SACCOs would be in a better position to deliver quality services to the customers thereby improving their competitive advantage. The objectives of this study were: to examine knowledge management practices in selected SACCO's in Nairobi County; assess knowledge sharing strategies employed by SACCOs in Nairobi County; investigate the factors influencing successful implementation of knowledge management strategies among SACCOs; explore the challenges experienced in harnessing knowledge management strategies; and propose a framework for improving knowledge management among SACCOs in Nairobi County. The study was informed by 'Knowledge based theory of the firm' by Carla Curado (1959) which states that knowledge is the most strategically significant resource in a firm. Because the study needed to grasp meanings, reasons and occurrences, qualitative method was employed in gathering data. The study was of the view that the concept of knowledge management is new in SACCOs hence exploratory research design was chosen. The study population was limited to three SACCOs namely: Police SACCO, Sheria SACCO and UNSACCO which were selected using information oriented purposive sampling. Target population totaled to twenty-one which comprised of top management, heads of departments, ICT personnel and Records Officers. They were also selected using purposive sampling because purposive sampling enabled the study to reach its targeted population quickly based on study objectives and population characteristics. Data was collected using in-depth interview schedules with open ended questions and analyzed using thematic analysis. The findings provided evidence that although SACCOs practice some aspects of knowledge management it is not as comprehensive hence an ideal knowledge management strategy ought to be adopted by SACCOs. The study therefore recommended that SACCOs adopt a 3-cycle knowledge management model by Kimiz (2013) which encompasses knowledge creation and capture, knowledge sharing and dissemination and

knowledge acquisition and application. The study has proposed a knowledge management framework which SACCOs can adopt to improve knowledge management practices for competitive advantage.

CHAPTER ONE

INTRODUCTION

Introduction

This chapter provides background information to the study, statement of the problem, objectives and the research questions. It also includes the justification of the study, scope and limitations of the study.

1.1. Background of the Study

Essays (2013) argues that the history of human cooperation is perhaps older than the history of competition. It can be said that even before agriculture became the basis of human economy, cooperation was already thriving.

According to Asenga (2008), the history of Savings and Credit Cooperatives (SACCOs) in the world can be attributed to two origins of modern cooperation. The first modern cooperation emerged in a certain working-class environment in European industrial cities in 1840s, particularly in Great Britain and France. The pioneers invented models of consumer and labor cooperatives that defended and promoted the interest of working class in the face of social disasters endangered by the industrial revolution.

The second generation of the pioneers of modern cooperation as explained by Asenga (2008), emerged in a certain European rural environment in the late 19th century. The country-side was economically out of sync with industrial cities. Agricultural cooperatives enabled families of famers and pastoralist to organize their own supply system, agricultural inputs and market their products. Therefore, they no longer depended on the merchants and business men in the cities.

According to UN –HABITAT (2010), Savings and Credit Cooperative Society (SACCO) is a type of cooperative whose objective is to pool savings from the members and in turn use it to provide them with credit facility. The general objective of the SACCOs is to cater for the

economic interests and general welfare of its members. It does this by giving members opportunities to take loans for starting income generating projects. As outlined in an article in the Moshi University College and Cooperation and Business Studies (MUCCOBS) of 2005, Bee (2005) asserts that SACCOs enables the people to stop depending on money lenders. They found the credit from SACCOs necessary to modernize their agricultural operators.

In Africa, the first experience with a SACCO was to a large extent the work of foreign missionaries (Mwelukilwa, 2001). Alila and Obado (1990) state that in Ghana, the idea of SACCOs was introduced by Roman Catholic Priest, in Jirapa town. The Priest helped Jirapa villagers to form savings and credit co-operatives to assist members address their financial problems. Most savings and credit cooperatives in Africa emerged in the English-speaking countries; primarily Ghana in 1955, Uganda in 1946 and in Nigeria it dates back to between 1953 and 1955 (Mbwana and Mwakujonja, 2013). According to Bee (2005), other African countries like Tanzania, SACCOs emerged in 1954, Liberia in 1965, while in Sierra Leone, Zambia and Botswana in 1967. The expansion of these cooperatives in Africa then took root in the French speaking regions of Africa.

The contemporary cooperative movement globally is strong and diverse. Some larger cooperatives have an annual income in the tune of billions of dollars. They exist in many forms and serve variety of needs, for example, food cooperatives, automotive cooperatives, university co-operatives among others. Cooperatives all over the world provide goods and services which would otherwise be unattainable. World Council of Credit Unions (WOCCU)'s report of 2012 indicates that there are 51,013 credit unions in the world. These have a total of 196,498,738 members and grow at a rate of 7.8%. This is calculated by dividing the total number of reported credit union members by the economically active population age of 15-64 years old.

Alila et al (1990) opines that SACCOs in Kenya are currently among the leading sources of the co-operative credit for socio economic development. In Kenya, cooperatives began in 1908

and the membership was only limited to white colonial settlers (Dorcus, Alala and Consolata, 2012). Dorcus et al. (2012) explains that the first Co-operative was established at Lumbwa; a place known as Kipkelion today. The International Cooperative Alliance's report rates Kenya first in Africa and seventh globally among the most developed in SACCOs movement (Frenzyied, 2014). These ratings attest to the fact that Kenya is among the most developed SACCOs movement globally. SACCOs in Kenya are strongly represented by Kenya Union of Savings and Credit Cooperation (KUSCO) Ltd. Consequently, Kenya offers consultancy services on cooperation to various countries in Africa such as Rwanda, South Sudan, and South Africa among others (Muasya, 2016).