

**KNOWLEDGE MANAGEMENT STRATEGIES AND THEIR CONTRIBUTION TO
SMALL AND MEDIUM ENTERPRISES SALES GROWTH: A CASE OF
HOSPITALITY INDUSTRY IN NAKURU TOWN**

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EGERTON UNIVERSITY

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DECLARATION AND APPROVAL

Declaration

This research Project is my original work and has not been submitted anywhere for a degree in this or any other University.

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DEDICATION

This project is dedicated to my dear husband Joseph, my loving mother, Mrs. Lucia Mulinge, my daughter Joy and my son Brian not forgetting my brother Martin and my sister Peninnah for their understanding, support and encouragement during my postgraduate studies.

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ABSTRACT

Despite the many individual studies on various knowledge management initiatives in large organisations, the perception of knowledge management practices and developments in Small and Medium enterprises suffers certain drawbacks. Small and Medium enterprises generally lack a proper understanding of knowledge management strategies in terms of key concepts. As such, there is paucity of information on the effect of different knowledge management strategies used by small firms on sales growth in the hospitality industry in Kenya. The study sought to determine the effect of knowledge management strategies on sales growth in the hospitality industry. Specific objectives included determining the effect the three knowledge management strategies on small and medium business sales growth. A cross-sectional survey research design was used for this study and a sample was conducted on all the 39 targeted respondents. A questionnaire with structured and unstructured questions was used to collect primary data from all the 39 top managers and supervisors of selected hospitality businesses since they are the key decision makers.

Descriptive and regression analysis were used to analyze the data with the help of SPSS version 21. The findings from this study indicate that, though knowledge management strategies were used to a greater extent among the small businesses, they did not significantly contribute to sales growth in the hospitality industry. This implies that the relationship was not significant because the use of the knowledge management strategies did not fully actualize the intended sales growth in the hospitality businesses. The results of this study have implications in enhancing the growth of SME's in Kenya and fostering further research.

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ABBREVIATIONS

KM:	Knowledge Management.
SPSS:	Statistical Package for Social Sciences.
SMEs:	Small and Medium Enterprises

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Knowledge management is an emerging field that is gaining popularity in the business literature. The theory of knowledge management emerged on the maps of strategy consultants and conference organizers around 1995 and for a few years, it was the next big thing after business process re-engineering and total quality management (Tuomi, 2002). The concept of knowledge management is concerned with the creation of structures that combine the most advanced elements of technological resources and the indispensable input of human response to decision-making. The early emphasis in knowledge management was on information systems. Later, the focus shifted towards organizational development, intellectual capital management, and competence management. Towards the end of the 1990's, social learning, organizational sense making, systemic innovation and change management became prominent themes in knowledge management.

However, it is not until recently that scholars and practitioners alike became increasingly attracted to the science of applied knowledge within organizations hence an improvement on information technology theory and the pioneering work on models of learning organizations (Senge, 1994). As a result of this, the enlarging field of knowledge management is defined differently from other more traditional information technology functions and it is the creative mining of information from diverse sources with the purpose of business opportunities in mind.

In recent times, technological changes have shifted firms away from being majorly concerned with the exploitation of tangible assets only, but also towards a steadfast and holistic interest in leveraging intangible assets as well (Raisinghani, 2000). The management of information as a key to grasping and retaining competitive advantage has recently evolved into the more strategically focused management of knowledge. The notion of knowledge management is nothing new and corporate knowledge is what the organisations possess which is gathered from internal and external sources for years (Manyara, 2006).

According to Ellen, (1989), the only irreplaceable capital an organization possesses is the knowledge and ability of its people. The productivity of this capital depends on how effectively people share their competence with those who can use it. Therefore, the ability of an organization whether large, medium or small to stay current and stay relevant requires a core competence in knowledge management (Drucker, 1998). Because of this, the foundation of organisational competitiveness has shifted from an emphasis on physical and tangible resources to knowledge and managing knowledge-based resources has become the key for sustaining competitiveness and superior performance (Wong and Aspinwall, 2005).

Knowledge is a very strategic tool for contemporary organizations and the ability to use this tool determines the limits of organizations' life span. (Barca, 2002). It is not enough to have the knowledge of strategic characteristic to be successful because this valuable asset at hand should be somehow managed and this is only possible through knowledge management approach. Knowledge management framework is therefore based on the premise that the focus should be placed on the way knowledge is used to build the critical capabilities so as to succeed. These capabilities include the processes and activities that enable any business to compete.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost or deliver benefits that exceed those of competing products. Competitive advantage is therefore rooted inside the firm in assets that are valuable, unique, intangible and inimitable (Manyara, 2006). From a knowledge-based perspective, business organizations are viewed as bundles of knowledge assets, the effective management of which affords firms competitive advantage (Choo and Bontis, 2002). According to Nonana and Takeuchi (1995), competitive advantage is founded in the ability of companies to create new forms of knowledge and translate this knowledge into innovative action. They further affirm that the sure source of lasting competitive advantage is knowledge. Therefore, knowledge creation and use are critical if firms are to gain competitiveness (Susan *et al*, 2003). However, firms must come up with Knowledge Management strategies that identify the key needs and issues within the organization and provide a framework for addressing these.

Most previous discussions on knowledge management have concerned large organisations with little attention being paid to small business sector (McAdam and Reid, 2001). However, it should not be inferred that the thrust for knowledge management is driven by the size of the operation and therefore small businesses do not need it. Staff in small and medium enterprises just as in big corporations, need appropriate and up to date knowledge. They need to know what their colleagues know and to be connected with them to share knowledge. Small businesses have their own roles to play in the economy as do large organisations since both are crucial to the growth of the economy and they complement each other in the business chain. Thus, SME's are important in the economy and their competitiveness is indispensable to a country's growth and success. Therefore, they need ways to create, share and manage their knowledge.

1.2 Statement of the Problem

Due to the critical role of knowledge management in the creation and sustainability of competitive advantage, the field of strategic and knowledge management has come up with a number of conceptual empirical works of how knowledge is created. Although there have been many individual studies on various knowledge management initiatives in large organisations Collison *et al*, 2001; Gerlach, *et al*, 2000, there is little empirical evidence regarding the actual penetration and impact of knowledge management in small firms. Few studies have investigated knowledge management use in small and medium sized enterprises (Kluge *et al*, 2001).

Despite the above efforts, there is paucity of information on the different knowledge management strategies used by small firms in the hospitality industry in Kenya and their effect on the businesses sales growth. Most small and medium enterprises generally lack a proper understanding of knowledge management strategies in terms of key concepts and this may be one of the reasons why they have been slow in adopting formal and systematic knowledge management. This study therefore seeks to examine the effect of knowledge management strategies on small and medium enterprises sales growth in the hospitality businesses in Nakuru town.

1.3 Objectives of the Study

The general objective of the study was to examine the effect of knowledge management strategies on sales growth in the hospitality industry. The specific objectives of the study included:

- i) To determine the effect of knowledge creation and sharing on sales growth in the SME's in the hospitality industry in Nakuru Town.
- ii) To determine the effect of knowledge application and use on sales growth in the SME's in the hospitality industry in Nakuru Town.
- iii) To determine the effect of knowledge protection and storage on sales growth in the SME's in the hospitality industry in Nakuru Town.

1.4 Research Questions

- i) What is the effect of knowledge creation and sharing on SME's sales growth in the hospitality industry in Nakuru Town?
- ii) What is the effect of knowledge application and use on SME's sales growth in the hospitality industry in Nakuru Town?
- iii) What is the effect of knowledge protection and storage on SME's sales growth in the hospitality industry in Nakuru Town?

1.5 Justification of the Study

Knowledge is a key pillar in success of a firm. Nonetheless, efforts geared towards its management are the most essential for firms which desire to grow in the current state of local and global competitiveness. In the bid to remain sustainable and meet the end users needs, managers should double their stake in knowledge management especially in the developing nations like Kenya where knowledge is still scarce. The study will focus on the hospitality industry because this is one area where the expectations of clients change rapidly and one of the most important tools to be used to compete is knowledge management. However, because of money and time factors, the study will only focus on hotel businesses in Nakuru town. Further, the results and recommendations of the study are expected to strengthen the foundation of KM implementation in the hospitality industry and also to stimulate further research.

1.6 Scope of the study

The study covered the effect of Knowledge Management strategies on SME's sales growth in the hospitality industry in Nakuru town between 2006 and 2010 in Kenya. A cross sectional survey was conducted on all the top management staff of the thirty nine (39) hotel businesses in Nakuru Town only since these were directly involved in the formulation and implementation of the businesses growth strategies. The staff were selected according to the organizational hierarchy that is from the business manager to assistant managers to supervisors excluding the lower level employees.

1.7 Limitations of the study

Due to the large number of small and medium enterprises in Kenya, the study was limited to Nakuru Town Municipality. Additionally, respondents were unwilling to give accurate information for fear that the information may be sensitive. Besides, these respondents considered certain information as classified and confidential, and were unwilling to share the information. The researcher, therefore, took the necessary steps and measures to ensure that proper communication was made on the purpose of the study and assured the respondents of confidentiality of the use of information provided.

1.8 Operational definition of Terms

Knowledge: It refers to the expertise, and skills acquired by a person through experience or education; the theoretical or practical understanding of a subject.

Organizational Knowledge: This refers to all the skills, expertise, experience and know-how an organization has about its products, processes, customers and patents that make it unique.

Knowledge Asset: This refers to any type of knowledge held or in use by an organization.

Explicit Knowledge: This refers to that knowledge which is codified in documents, databases, e-mails, photos, drawings, etc. It exists in physical media and can be accessed by workers if they know where to look for it.

Tacit Knowledge: It is knowledge acquired and stored in employees' minds, such as experiences with processes, tools, techniques, customers, managers, suppliers, and co-workers. It is also knowledge gained through study of job-related material such as business journals or trade publications. It denotes all intellectual capabilities and skills that the individual cannot fully articulate, represent or codify.

Knowledge Management: Knowledge Management is continually discovering what an organization knows, that is codifying tacit knowledge, data mining, and business intelligence and continually increasing what the organization knows such as organizational learning and communities of practice, as well as continually organizing and disseminating explicit knowledge for use throughout the organization. It is the process of capturing, organizing and storing information and experiences of workers and groups within an organization and making it available to others for exploitation in pursuit of business objectives.

Strategy: refers to the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of markets and to fulfill stakeholder expectations.

Knowledge Management Strategy: This encompasses identifying and mapping intellectual assets within the organization, generating new knowledge for competitive advantage within the organization, making vast amounts of corporate information accessible, sharing of best practices, and technology that enables all the business positive results.

Knowledge Creation: It is the ability to seek and obtain entirely new knowledge or create new knowledge out of existing knowledge through collaboration.

Knowledge sharing: This is making available to others what an organization knows.

Knowledge Application: Refers to how knowledge is actually used and applied in any given organization.

Knowledge Protection: Refers to the ability to secure knowledge from inappropriate or illegal use or theft.

Knowledge Storage: This refers to storing knowledge that has been created or acquired in ways that make it more formalized and accessible.

Growth: Positive change in income levels of SME's assets, number of employees and business activities.

Growth in sales: Change in sales between 2006 and 2010 divided by five years.

Small and medium Enterprises: There is no one agreed definition for small and medium-sized enterprises since these are defined differently in different countries. However, there are some similarities in the concept used in the definitions, such as number of people employed, Capital employed and the Sales turnover. In this study, small and medium businesses is taken to be an organisation that employs between 11-100 workers as adopted by Kenya Revenue Authority and a figure of Shs.5 million sales turnover per annum was agreed on as a threshold.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives the theoretical background of knowledge management strategies and the researcher's conceptual framework developed in solving the research problem and its justification.

2.2 Knowledge Management as a Business Strategy

Knowledge management as a business strategy involves treating the knowledge component of business activities as an explicit concern of business reflected in strategy, policy and practice at all levels of the organization. It entails making a direct connection between an organization's intellectual assets both explicit and tacit and positive business results.

Organisations are facing ever-increasing challenges which are brought about by the market pressures or the nature of the work environment, and as such they are looking to knowledge management to address these challenges. Therefore, developing a knowledge management strategy provides a unique opportunity to gain a greater understanding of the way the organization operates and the challenges that confront it. However, several factors need to be considered when deciding on a knowledge management approach for an organization. In every organization, knowledge management is a critical factor of success since it can be used as a triggering element for the generation of organizational values. Liebowitz (2004) views knowledge management as a strategic tool in the development of the human resources of the organization. Marques and Simon (2006) consider knowledge management an organizational novelty bringing about important differences in strategic entry and traditional management applications. To be successful, a knowledge management strategy must do more than just outline high-level goals and instead it must identify the key needs and issues within the organization and provide a framework for addressing these.

Knowledge management can be a powerful tool for the SMEs. Wong and Aspinwall (2005) carried a study on characterising knowledge management in small business environment and observed that knowledge, if properly harnessed and leveraged can propel organizations to

become more adaptive, innovative, intelligent and sustainable. It can increase productivity, effectiveness and efficiency in operations. Having a more complete view of the organization enhances the ability to understand new opportunities that were previously hidden from view. Any knowledge management initiative must be oriented towards communications, information sharing and value creation. David (2006) carried out a study on knowledge management, a tool for SME's to enhance competitiveness and found out that knowledge is at the heart of any business and that it can be a powerful tool for SME's competitiveness. It can increase productivity, effectiveness and efficiency in operations. However, he concluded that if you master knowledge the business will prosper and if you ignore it the business will fail.

Knowledge management supports organizational structure through the use of technology by enhancing the service quality, training of personnel continuously and using their knowledge for application to promote customer satisfaction. Chong, *et al.*, (2000) state that the most important stages in the knowledge management process are the transfer of the knowledge and its sharing. If business organizations are seen as collections of knowledge assets, then the integration, updating, maintenance and management of those assets is clearly of great importance. Since knowledge matters, the manner in which organizations 'remember' what they know and learn from their experience (as well as from others' experiences) is important, both theoretically and practically.

The development of brands, stakeholder relationships, reputation and the culture of the organization is readily viewed as providing sustainable sources of business advantage (Chong, *et al.*, 2000). In these knowledge-intensive organizations, processing knowledge is central to business success (Drucker *et al.*, 1998). Success in today's global, interconnected economy emanates from the fast and efficient exchange of information and therefore sustainable competitive advantage is no longer rooted in physical assets and financial capital, but in effective channeling of intellectual capital (Seubert *et al.*, 2001). Spender, (1996) contends that a firm's knowledge and its capability to create exclusive knowledge are at the center of the theory of the firm. Grant (1996) suggests that knowledge is the significant competitive asset that a firm possesses.

Nonana (1995) argue that competitive advantage is founded in the ability of companies to create new forms of knowledge and translate this knowledge into innovative action. He further affirms that -“the sure source of lasting competitive advantage is knowledge.” Therefore, knowledge creation and use are critical if firms are to gain competitiveness (Susan *et al.*, 2003), but the different strategies for creating them are still not well understood (Alvaro *et al.*, 2004).

2.3 Knowledge Management for SME’s in the Hospitality Industry

The small business industry, by its very nature, normally has a high degree of informal sharing of tacit knowledge. Many people contribute and have expertise in more than one functional area, and there is a tendency for employees to be multi-disciplined simply to make the business succeed. In cases where knowledge is not openly shared in the enterprise, that becomes one of the primary objectives of a knowledge management strategy David (2006). SMEs appear to have a more mechanistic view and a limited vocabulary of knowledge, less systematic approaches for embodying and sharing knowledge and their perceived benefits. A longitudinal study of organizational learning in the small business sector conducted by Matlay (2000), found out that learning did not occur in the majority of small businesses but only a minority of them managed knowledge in a proactive and strategic manner to enhance their competitive advantage. In another study of three small businesses operating in Singapore and Australia, Lim and Klobas (2000) concluded that differences were apparent in the value placed by small and large organizations on systematic knowledge management practices, especially in the adoption of computer-based knowledge storage systems. Hence, they agreed that the greatest need for small businesses was to build an effective knowledge repository.

Further, findings of a qualitative study to explore the knowledge management features of small and medium enterprises were reported by Sparrow (2000: 2001). He highlighted the need to recognize the different mental models of individuals and to share their personal understanding in the development of knowledge management processes. He also stated that the development of knowledge-based systems in smaller firms should be based on the fundamental understanding of its role and basic principles. Moreover, in the hospitality industry where the expectations of clients change rapidly and a competition on a global level is raging, one of the most important tools to be used to compete is knowledge management.

2.4 Studies on Knowledge Management Strategies

Mechanistic approaches to knowledge management are characterized by the application of technology and resources to do more of the same better. This can be used through the main assumptions that better accessibility to information is key including enhanced methods of access and reuse of documents as well as networking in technology in general. Firms in different industries have over the past used human resources with different levels of knowledge and skills in fulfilling their short term and long term financial objectives. Similarly, because of the competition in modern businesses, companies are persistently striving to create mechanisms for differentiating themselves from their rivals within given markets. This has yielded varied levels of growth without a significant difference in competitive advantage among the firms. As a result, other firms have gone further to establishing knowledge management strategies in the quest to improve their competitive edge and the resultant growth (Manyara, 2006).

Apparently, businesses strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors (Kipchumba *et al.*, 2010). These knowledge management strategies are based on the premise that the focus should be placed on the way knowledge is used to build the critical capabilities a company needs in order to succeed on the core processes and activities that enable it to compete. Therefore, it is imperative to understand the diversity and contribution of these strategies on the firms' growth.

2.4.1 Knowledge Creation and Sharing

It is generally accepted that the creation of new knowledge is an important driver of economic growth. Organizational knowledge creation takes place when four modes of knowledge conversion such as socialisation, combination, internalisation and externalisation form a continual cycle triggered by actions as such interactions, dialogue, coordination, documentation, experimentation and learning by doing (Nonaka and Takeuchi, 1995).

In order for the firm to become a knowledge system, the promotion of interactions among the components of the system, is required (Vladimirou, 2001). Whereas single individuals can create knowledge, technology can facilitate the transfer of knowledge among individuals but the greater challenge is to promote the social interactions among individuals that facilitate the transfer

of explicit knowledge and also the creation of both explicit and tacit knowledge (Nonaka, 1994; Nonaka and Takeuchi, 1995).

Nonaka and Takeuchi, (1995) carried a study on the classification of knowledge and they proposed a matrix model on the process of "organizational knowledge creation. According to them knowledge is" amplified" through these four modes of knowledge conversion. It is also considered that the knowledge becomes "crystallized" within the organization at higher levels moving from the individual through the group to organizational and even inter-organizational levels. They argued that knowledge creation strategy is a business-level management practice that encourages individuals to interact with others to create knowledge, independently of when they are organized to create the knowledge. These practices include business-level integrative reward, socialization and routine communication.

Organization-level integrative reward, specifically the assignment of responsibility for determining individuals' rewards, promotes knowledge creation by influencing the willingness of individuals to interact and create knowledge, Nonaka and Takeuchi, (1995). When the control of individuals' rewards is shared between functional managers and managers outside the functional areas, individuals are encouraged to interact with others outside their disciplines to share knowledge, as they are controlled and rewarded by people in different functions. This occurs because individuals are likely to make the effort to interact with others outside the functional area in order to make a good impression and thus influence their rewards.

Organization-level integrative socialization of employees facilitates the development of the capability to create knowledge by promoting understanding among individuals with different knowledge sets. It does so by integrating different functions in the firm through cross-functional socialization of new employees, by exposing employees to different parts of the firm such as research and development, production, sales/marketing and customer services, they build social ties with others in these parts of the company, which encourages both the willingness to interact in order to share knowledge and the understanding among employees based in different parts of the knowledge system.

According to Nonaka and Takeuchi, (1995), organization-level integrative routine communication facilitates knowledge creation by influencing willingness and understanding among individuals. This is composed of institutionalized communication patterns or routines that include both formal and informal communication between individuals at all levels of the organization. These three organization-level integrative management practices composing the organization strategy become a system of practices, as they have complementary influences on the willingness and understanding among individuals to create knowledge. The practices reinforce each other by operating at the same level and with the same intention. They promote knowledge creation by establishing interactions and interdependencies among individuals with different knowledge sets, that is, the components of the knowledge system.

To create a knowledge sharing culture, it is about making knowledge sharing the norm. Sharing knowledge is not just sharing information. The purpose of knowledge sharing is to help a whole organization to reach its business goals. It is not sharing for only the benefit of one department. Sharing knowledge is as significant as learning to make knowledge productive.

A distinction between tacit and explicit knowledge is critical to understanding the working mechanisms of knowledge management. Lubit (2001) carried a study on tacit and explicit knowledge on knowledge management as a key to sustaining competitiveness and observed that explicit knowledge is codified and stored in the “organizational memory” and is available to employees throughout the structure. Conversely, tacit knowledge is personal knowledge possessed by an employee that may be difficult to express or communicate to others. Because a population of employees possesses a theoretically infinite number of mental models, or ways of perceiving information, tacit knowledge is often individualized and highly specific in scope. Lubit (2001) argued that it is this knowledge that is often difficult to disseminate to others in the context of the workplace, but it is also invaluable to propagate because it is a unique asset that is very hard to copy by other firms.

Therefore, given this premise, it can be logically understood that tacit knowledge can form the basis for competitive advantage, but to do so it must become manifest in the real world and utilized to actualize the strategic agendas of the organization. Ideally, a firm can better manage its intellectual capital base by uncovering the tacit knowledge of its employees and turning that into explicit knowledge, available to others (Erickson and Rothberg, 2000) through knowledge sharing. Most investigation into knowledge management has been concerned with capturing the knowledge embedded inside of the heads of individual employees (Nidumolu *et al.*, 2001). This approach is certainly a substantial place to begin the challenge of developing a thriving knowledge base, but appears to be less than holistic in its efforts. Yet the challenge of capturing functional knowledge in the midst of overwhelming information availability remains elusive for small businesses (Oder, 2001).

2.4.2 Knowledge Application and use

The creation and application of new knowledge is essential to the survival of intangible products such as ideas and processes. The application of new knowledge is increasingly important in the society. If a company is committed to the true spirit of learning, it will develop structures and processes which create a balanced and complementary effort toward combining knowledge acquisition from inside and outside of the firm (Senge, 1994). This will be made possible by information assets infrastructure such as knowledge experts, well equipped IT department with modern computers coupled with proper planning, organization and coordination of knowledge management processes. Nielsen (2006) conducted a study on the dynamic capability view of knowledge management and argued that knowledge management processes that change, renew and exploit the knowledge-based resources can represent Knowledge related capabilities of the firm.

Soo *et al.*, (2002) carried a study on knowledge management philosophy, processes and pitfalls and pointed out that the impact of knowledge management systems on performance relates primarily to the organization's ability to innovate; either through improved processes or improved products and services. Thus, businesses taking knowledge management as their guide are effective in the creation of competition in the market, making decisions, and the recognition of the potential possessed by intellectual values. Knowledge management system therefore, should be

helpful in understanding the complexity of human resources, technical and social networks that are the sources of having access to knowledge that can be used to improve business growth (Davenport *et al.*, 1998).

2.4.3 Knowledge Storage and Protection

Security-oriented knowledge processes are those oriented towards the protection of knowledge within an organization from illegal or inappropriate use or theft (Gold *et al.*, 2001). According to Appleyard (1996), protection encompasses activities that seek to maintain the proprietary nature of a firm's knowledge stocks which include seeking legal protection (via patents, trademarks and copyrights), designing policies to limit employee turnover, and educating employees about the types of knowledge they should not share with their peers in other organizations. One of the biggest challenges behind knowledge management is the dissemination of knowledge. People with the highest knowledge have the potential for high levels of value creation. But this knowledge can only create value if it's placed in the hands of those who must execute it. Knowledge is usually difficult to access since it leaves when the knowledge professional resigns.

Bruce *et al.*, (2003) undertook a study on knowledge management strategies that create value. The study was embedded on the real needs and challenges that the knowledge management strategies must address. The study revealed that long-serving employees have a depth of knowledge that is relied upon by other staff, particularly in environments where little effort has been put into capturing or managing knowledge at business level. They argue that the loss of these key staff can have a major impact upon the level of knowledge within the business. However, the study found out that knowledge transformation can assist by putting in place a structured mechanism for capturing or transferring this knowledge when staff retires.

2.5 Knowledge Management Strategies and Business Growth

Knowledge management can transform organizations to new levels of effectiveness, efficiency, and scope of operation if advancements in technology, data and information are readily available. The modern business manager is able to discover and learn new measures, new technologies, and new opportunities, but this requires the ability to gather information in usable

formats and disseminate knowledge to achieve the organization's objectives. The basic objective of knowledge management is to find the knowledge and convert it into a process that can solve the problems of the organization or benefit the organization (Lee and Chang, 2007). Among its other objectives are increasing the proficiency of the organization and providing sustainability to any initiatives. However, for any effective knowledge management system, the objectives of the organization and workers should be in compliance.

Therefore, knowledge whether tacit or explicit needs to be managed by formulating and implementing strategies to achieve business growth. Corporations sit on a wealth of knowledge that sits in people's head and scattered through various information systems within the organisation. These information systems consist of databases, documents, policies, procedures as well as unarticulated expertise, and experience held by individual workers. Firms view knowledge and knowledge management as part of their strategic orientation. Low-cost strategies may emphasize knowledge that can be used to cut costs, lower prices and shorten cycle times whereas differentiation strategies may emphasize knowledge that adds value to a product giving it unique characteristics that serve to differentiate it from the competition. A company's knowledge takes numerous forms, from the learning that individual employees acquire through their daily functions, to the corporate workforce capabilities that produce a competitive advantage.

Managing knowledge to fuel growth shows managers how to turn knowledge into valuable products, services, and processes and generate impressive results on the bottom line. The businesses' overall growth results are measured through combining several elements such as sales growth, market share, customer satisfaction public image and reputation among firms in similar business. These indicators are habitually used in empirical work on the measurement of overall business growth. However, for purposes of this study, only sales growth will be analyzed and measured as the indicator of business growth.

Other indicators of growth as a result of knowledge management correlate directly to bottom-line savings, while others are more difficult to quantify. In today's information-driven economy, companies uncover the most opportunities and ultimately derive the most value from intellectual rather than physical assets. To get the most value from a company's intellectual assets, knowledge management practitioners maintain that knowledge must be shared and serve as the

foundation for collaboration. Consequently, an effective knowledge management program should help a business to foster innovation by encouraging the free flow of ideas, improve decision making, improve customer service by streamlining response time, boost revenues by getting products and services to market faster, enhance employee retention rates by recognizing the value of employees' knowledge and rewarding them for it and streamline operations and reduce costs by eliminating redundant or unnecessary processes. These are the most prevalent examples. A creative approach to knowledge management can result in improved efficiency, higher productivity and increased revenues in practically any business function Marques and Simon (2006).

2.6. Factors Affecting Knowledge Management

Knowledge management consists of critical enablers such as employee training, employee involvement, teamwork, employee empowerment, top management leadership and commitment, organizational constraints, information system infrastructure, performance measurement, organizational culture, benchmarking, and knowledge structures. According to Stankosky *et al.*, (2005), these critical factors will provide a greater understanding to the management and employees for a successful knowledge management program. To a great extent, culture and management issues affect the success of knowledge management initiatives in small business enterprises.

Knowledge management requires the integration and balancing of leadership, organization, learning and technology. Culture and management issues play dominant role in knowledge management implementation and an atmosphere or organizational culture of trust, fairness and innovation is necessary for knowledge management. Some of the factors are management related, such as culture, process, and organization, with technology the least important. Information technology enables and facilitates knowledge sharing.

Other factors that favour knowledge management include: lead by example, that is, more people will follow if "knowledge sharing champions" in workplace initiate the process of knowledge sharing, acknowledge the efforts made by knowledge bearers who may feel their

sharing is recognized and appreciated, cultivation of a learning culture or concept of learning organization which encourages knowledge sharing, cultural climate may influence the willingness to share; as such small businesses should stress more on conformity and humility.

According to Stankosky *et al.* (2005), an international survey (1996) from Ernst & Young showed the following barriers to knowledge management, in their reducing importance. These include ;organizational culture - 80% , lack of ownership - 64% , information technology - 55% , non-standardized Processes - 53% , organizational structure - 54% , top management commitment - 46% and rewards / recognition - 46%.

Another study by Hariharan *et al.* (2005) shows the pitfalls of knowledge management which are also related much to management or culture issues, for example: inability to focus on the vital areas of business goals, building up a large repository without relevance to business goals, no measurement of knowledge management plans, lack of robust process for knowledge sharing, that is, leaving it to chance, staff unwilling to share or "copy", knowledge champions do not have time, heavy reliance on technology, treating knowledge management as replacement for people, unwillingness to invest in knowledge management specialists i.e. belief in "technology can replace face-to-face" and emphasis on first creating a learning culture.

Therefore, there is need to recognize that information and knowledge are business assets and that businesses need strategies, policies and tools to manage those assets, hence the central task of those concerned with knowledge management should be to determine best ways to cultivate, nurture and exploit knowledge at individual and organizational levels. Thus, for any business whether large, medium or small, knowledge management is a crucial aspect. In a hotel industry where customers' tastes and preferences change often, the adoption of the best strategies will play a deterministic role towards achieving sustainable competitiveness. This can be ensured through getting the right people just in time, training and developing employees in all ways possible, retaining them by offering fair compensation for their work and helping them share and put knowledge into action in ways that strive to improve organizational performance.

2.7: Conceptual Framework

Knowledge management is a strategic process, which implies the goal of differentiation from competitors such that a sustainable competitiveness is forged. Every organisation has a unique environment as well as a unique set of needs to be addressed by knowledge management initiatives. But the overall strategic direction of the organisation is used to identify the focus of the knowledge management strategy. The framework for this study examined knowledge management strategies as being a key factor in influencing the sales growth in small and medium enterprises in the hospitality industry. According to the framework in figure 2.1; knowledge management strategies constitute the independent variables while sales growth is the dependent variable. Knowledge management will be assessed through the specific strategies of knowledge creation and sharing, knowledge application and use and knowledge storage and protection. Knowledge management strategies are expected to result into increased sales growth which will be assessed through the sales turnover.

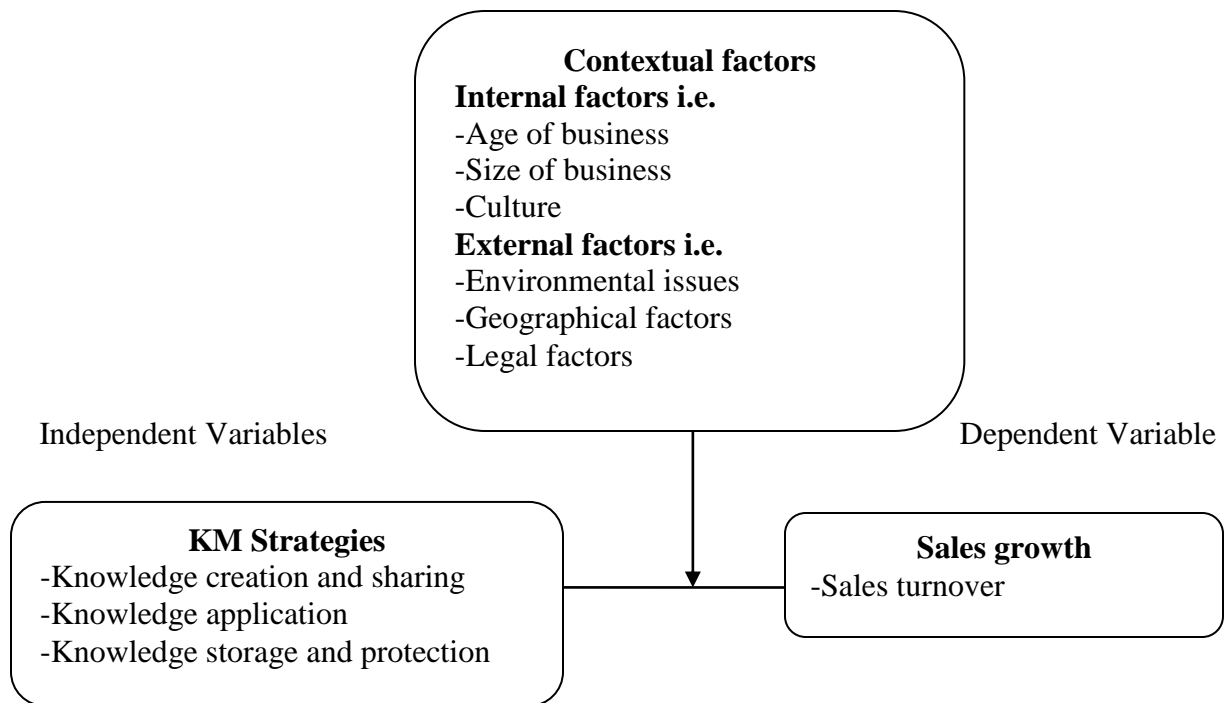


Figure 2.1: Relationship between Knowledge Management Strategies, Contextual factors and Sales Growth.

Source: Researcher's Conceptualization

Figure 2.1 shows a model for interaction of these knowledge management strategies under the influence of various factors to achieve business sales growth. The model proposes two types of influential factors i.e. internal and external. Internal factors include age, size, business culture and or nature of business among others whereas external factors include environmental, social, political, legal, geographical and or technological elements which may influence the adoption and implementation of the indicated knowledge management strategies in the hospitality industry. The model allows the overall business environment to influence the choice of the knowledge management strategy to foster business growth. The model focuses on increase in sales turnover as the measure of performance and an indicator of business sales growth.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design adopted for the study and population targeted as well as the sample. Methods of data collection, analysis and presentation are also discussed here.

3.2 Research Design

This study used correlational research design in which a cross-sectional survey was adopted. The design was chosen because it was an efficient method of collecting data regarding characteristic of a sample of a population, current practices, conditions or needs. This design was used to determine if there is a relationship between knowledge management strategies and sales growth in small and medium enterprises in the hospitality industry in Nakuru town.

3.3 Population of the Study

The population of the study consisted of the registered SME's in the hospitality industry as per the Nakuru Municipal business register of August, 2011 (Appendix A).The business register classified hotels into classes of A, B, C and D with the number of employees as the base.

3.4 Sample

Because Class A hotels were very small hotels with less than (10) employees, for purposes of this study, they did not form part of the targeted population. As such, a purposive study was carried out for class B, C and D. Class B and C were small- medium and high hotels with an average of twenty (20) employees while those of class D were medium-high hotels with an average of forty (40) employees. Class B comprised of fourteen (14) hotels, Class C eleven (11) hotels, while Class D had fourteen (14) hotels. Therefore a sample study of the thirty nine (39) SME's in the hospitality industry in Nakuru town was undertaken.

3.5 Reliability and Validity of the Research Instrument

Reliability is concerned with questions of stability and consistency. To enhance reliability of the data collected, the researcher personally administered the questionnaire to ensure that all questions were understood and adequately answered by the respondents.

Validity of a questionnaire refers to the extent to which it measures what it claims to measure (Mugenda & Mugenda 2003). To check validity of the instruments, the questionnaire was discussed with research experts in the field of strategic management. A pilot study was carried out amongst selected staff of various related hotel businesses. This was expected to help the researcher in identification of items in the research instrument, which might have been ambiguous in eliciting the relevant information. The researcher sought assistance from research experts, experienced graduates and lecturers to help improve the validity of the instruments.

3.6 Data collection

The study utilized primary data regarding the effects of knowledge management strategies on sales growth in the hospitality industry. The data was collected using both structured and unstructured questionnaire. The questionnaire (Appendix B) was administered to the relevant senior managers in each of the targeted business.

3.7 Data Analysis and Presentation

Data collected on various firms was analyzed qualitatively and quantitatively. Data gathered was organized, tabulated and analyzed using statistical package for social sciences (SPSS) version 21. Descriptive statistics such as percentages, frequency and summary were used to describe the sample and characterize different knowledge management strategies used by small businesses in the hospitality industry in Nakuru town. To determine the effect of knowledge management strategies on SME's sales growth in the hospitality industry, multiple regression model was developed. Knowledge management strategies represented the independent variables while growth in sales was the dependent variable. The general formula is as indicated below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + E \dots \dots \dots \text{equation 1}$$

Where:

Y = Change in sales between 2006 and 2010 divided by five years.

β_1 - Parameters to be estimated

x_1 - represents the number of ways of knowledge creation and sharing used by the SME's

x_2 - represents the number of ways of knowledge Application used by the SME's

x_3 - represents the number of ways of knowledge Storage and Protection used by the SME's

E = Error term

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and discussion of the results with reference to the specific objectives. It presents results regarding the background information of the hotel businesses, knowledge management strategies and the relationship between knowledge management strategies and small and medium businesses sales growth.

4.2 Background information

This section presents a brief description of the demographic characteristics of the sampled respondents and the profile of the sampled facilities in the hospitality industry in this study. Such a description is considered to be very important in providing a better understanding of the businesses included in the study and therefore provide a good foundation for a detailed discussion of the results based on the stipulated objectives of the study.

4.2.1 Ownership of Business/facilities

The study findings Table 4.1 established that 48.7% of facilities were sole proprietorship, 23.1% were partnership, and 17.9% were Limited Liability Company while 10.3% were owned by churches.

Table 4.1: Ownership of Business

Ownership	Percentage Frequency
Sole Proprietorship	48.7%
Limited Liability Company	23.1%
Partnership	17.9%
Other (church)	10.3%
Total	100%

Source: Field data

4.2.2 Age of the Business

The results on age of business in Figure 4.1 indicate that 59% of the facilities were aged over 5 years, 16% were aged 3 years, 10% were each aged 4 and 5 years while 5% were aged 2 years. These findings generally suggest that a significant proportion of the respondents 60% were at least 5 years old.

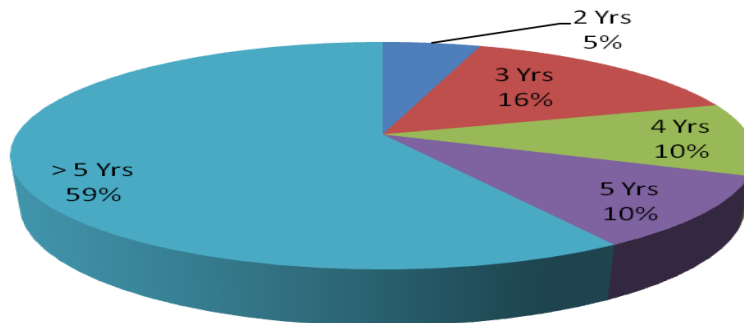


Figure 4.1: Age of Business

4.2.3 Number of Regular Employees in Business

The study findings in Figure 4.2 showed that 41% of the businesses had 10-30 regular employees, 17.9% each had 21-30 and 31-40 employees, respectively and 23.1% had more than 50 employees. These findings generally reveal that majority of businesses had at least more than 10 regular employees.

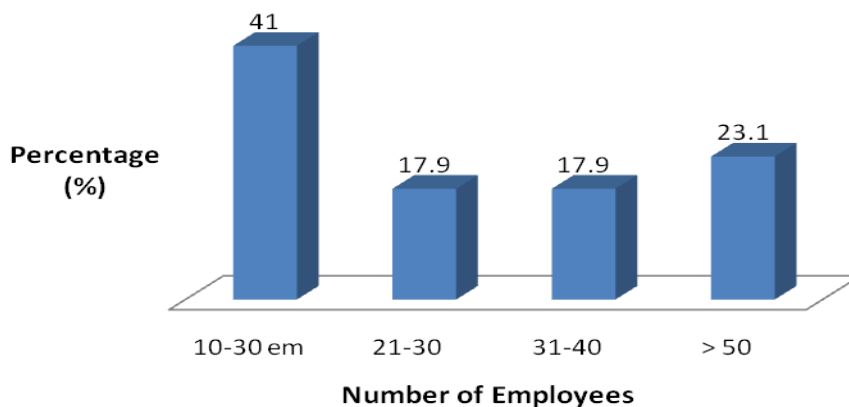


Figure 4.2: Number of Regular Employees in Business

4.2.4 Products/Services Offered by the Businesses

The study found out that 92.3% of the facilities offered food, 84.6% each offered accommodation as well as Seminars/Conferences, and 28.2% offered swimming while only 2.6% offered other activities such as sporting /recreation as indicated in Table 4.2. These findings indicate that a significant proportion of hospitality facilities offered mainly food, accommodation as well as Seminars/Conferences services.

Table 4.2: Products/Services Offered

Product/Service	Percentage Response (%)		
	Yes	No	Total
Food	92.3	7.7	100.0
Accommodation	84.6	15.4	100.0
Seminars/Conferences	84.6	15.4	100.0
Swimming	28.2	71.8	100.0
Others(sporting/recreation)	2.6	97.4	100.0

Source: Field data

4.2.5 Key Decision-Makers in the Business

With regard to the key decision-making in the business, study findings given in Table 4.3 indicate that in 48.7% of the facilities, owners were the key decision makers, in 25.6% senior employees, in 20.5% departmental managers whereas in 5.1% of businesses were others majorly church leadership. These findings show that owners and senior managers were the key decision-makers and thus better placed in answering the questions regarding knowledge management strategies unlike other employees below them.

Table 4.3: Key Decision-Makers in the Business

Decision-makers	Frequency
Owners	19
Senior Employees	10
Departmental managers	8
Others	2
Total	39

Source: Field data

4.3 Use of Knowledge Management Strategies in the Hospitality Industry

The specific objectives of the study sought to determine the effect of use of knowledge management strategies in the hospitality industry in the study area. In order to achieve this, the study examined the various aspects of knowledge management strategies which are knowledge creation and sharing; knowledge application/use and knowledge storage/protection as discussed in the sections below:

4.3.1 Key Knowledge Assets in the Organization

According to study findings shown in Table 4.4, the key knowledge assets in the organization were in order of magnitude: customer loyalty (59%), experience (48.7%), employee competence (43.6%), trust (30.8%), stakeholder relationships (15.4%) and know-how (10.3%). This suggests that customer loyalty and experience were the key knowledge assets in the organization.

Table 4.4: Key Knowledge Assets in the Organization

Asset	Percentage Response (%)		
	Yes	No	Total
Stakeholder Relationships	15.4	84.6	100.0
Know-how	10.3	89.7	100.0
Trust	30.8	69.2	100.0
Customer Loyalty	59.0	41.0	100.0
Employee Competence	43.6	56.4	100.0
Experience	48.7	51.3	100.0

Source: Field data

4.3.2 Information Communication and Sharing in the Organization

From the results given in Table 4.5, the various forms of information communication and sharing in the organization in order of magnitude were as follows: phone calls (71.8%), word of mouth (56.4%), memos/circulars (51.3%), letters (17.9%), and e-mails (15.4%). These findings imply that phone calls and word of mouth formed the bulk of the information communication and sharing in the organization.

Table 4.5: Information Communication and Sharing in the Organization

Method	Percentage Response (%)		
	Yes	No	Total
Memos/Circulars	51.3	48.7	100.0
Letters	17.9	82.1	100.0
Phone Calls	71.8	28.2	100.0
E-mails	15.4	84.6	100.0
Word of mouth	56.4	43.6	100.0

Source: Field data

4.4 Use of Knowledge Creation and Sharing in the Organizations

The study investigated the extent of use of knowledge creation and sharing in terms of: research and development, interdepartmental interactions, reward control system, organizational meetings, communication, team-building and documentation and the results presented in the section below:

4.4.1 Extent of Research and Development in the Organizations

On the extent to which research and development were achieved, survey results given in Figure 4.3 show that 48.7% of respondents reported to a high, 28.2% reported moderate extent whereas only 23.1% reported “low”. It is evident from the findings that research and development was achieved moderately to high extent.

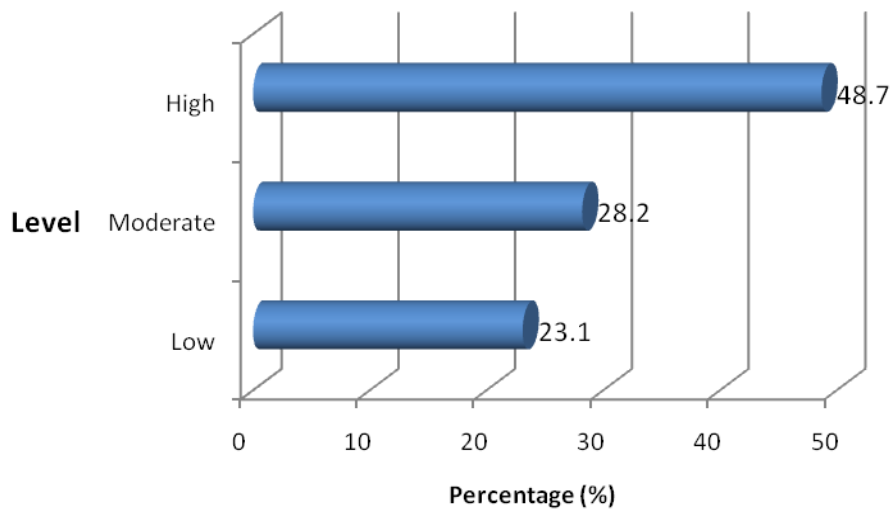


Figure 4.3: Overall Research and Development Index

4.4.2 Extent of Inter-departmental Interactions in the Organization

With regard to extent to which all interaction interdepartment was achieved, survey data show that 43.6% of the respondents reported moderate, 41% reported “high” and only 15.4% reported “low”. The study findings indicate that interdepartmental interaction was achieved moderately shown in Figure 4.4.

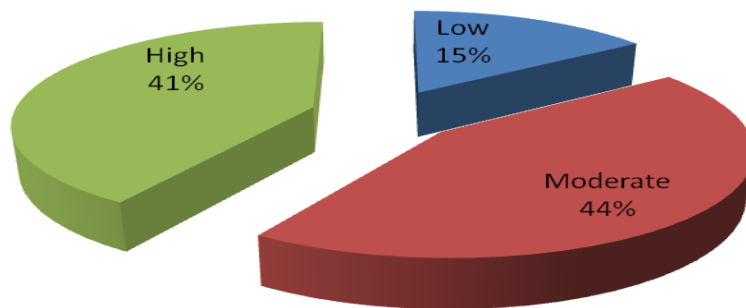


Figure 4.4: Overall Interdepartmental Interaction Index

4.4.3 Extent of use of Meetings in the Organization

On the extent to which the use of meetings was achieved, findings indicate that 46% of the respondents reported “moderate”, 44% reported high extent while 10% reported “low”. These findings generally indicate that use of meetings has been achieved to a great extent as shown in Figure 4.5.

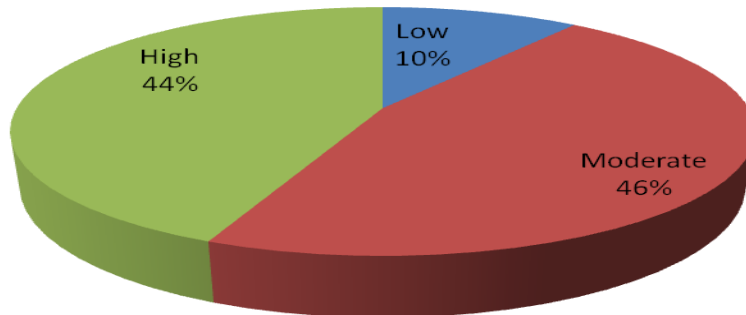


Figure 4.5: Overall Meetings Index

4.4.4 Extent of establishment of Communication channels in the Organization

On the extent to which the management of communications was achieved in the organizations, survey data in Figure 4.6 indicate that 51.3% of the respondents reported “moderate”, 41% reported high extent while 7.7% reported “low”. These findings generally indicate that communication level had been achieved to moderate extent.

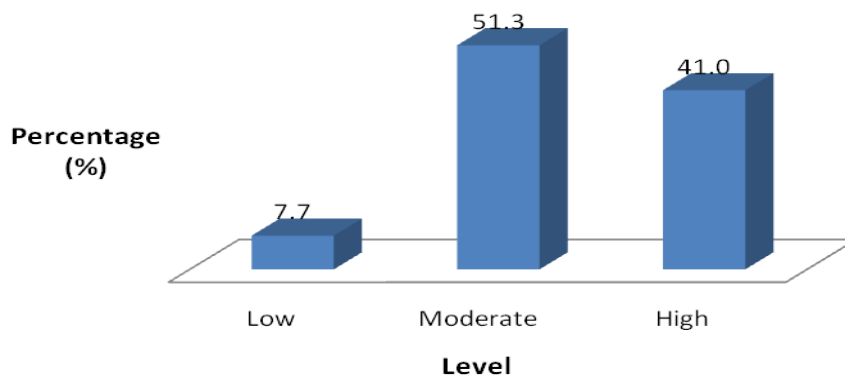


Figure 4.6: Overall Communications Index

4.4.5 Extent of use of Team-building, Seminars and Workshops in the Organization

According to study findings in Figure 4.7, 51% of the respondents reported that the overall team building in the organizations was generally high, 36% reported moderate and only 13% reported low. On the basis of these results, the overall team building was generally high which indicates adequate knowledge sharing.

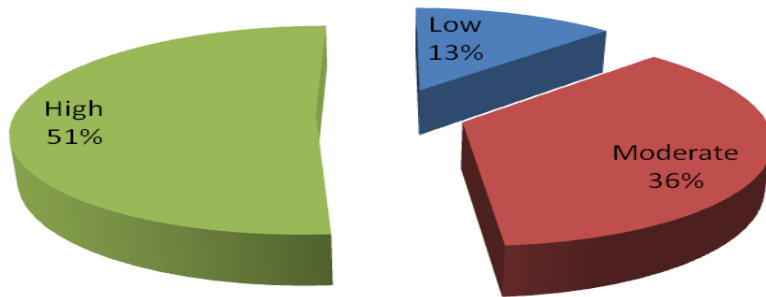


Figure 4.7: Overall Team building Index

4.4.6 Extent of compliance with Documentation procedures in the Organization

According to study findings, 46.2% of the respondents reported that the overall level of documentation was generally high, 38.4% reported moderate and only 15.4% reported low. On the basis of these findings, the overall level of documentation in hospitality facilities was generally high as shown in Figure 4.8.

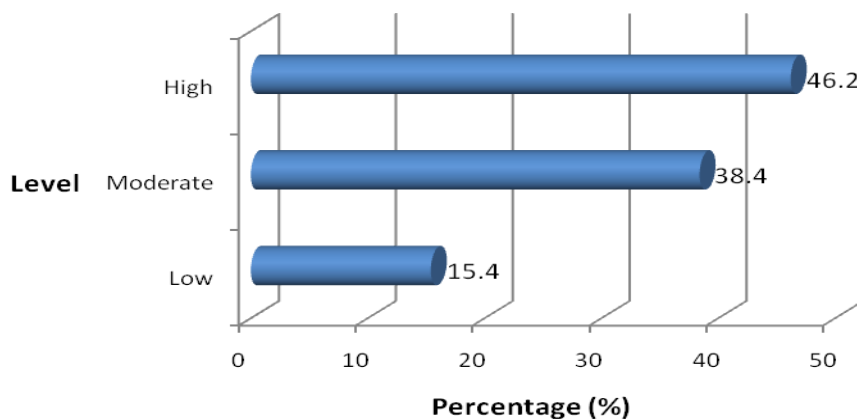


Figure 4.8: Overall Documentation Index

4.5 Use of Knowledge Application in the Organizations

Study findings on various aspects of knowledge application/use such as: utilization of the ICT department and knowledge champions; Knowledge assets and systems implementation were presented in the section below:

4.5.1 Key Business Drivers in the organization

On the basis of the survey results Table 4.6, in 69.2% of the businesses, customer satisfaction was a key driver in the organization, in 51.3%, profitability, while 33.3% reported that growth was the key driver in the business. These findings show that customer satisfaction and profitability were key business drivers in the hospitality industry.

Table 4.6: Key business Drivers in the Organization

Driver	Percentage Response (%)		
	Yes	No	Total
Customer satisfaction	69.2	30.8	100.0
Profitability	51.3	48.7	100.0
Growth	33.3	66.7	100.0

Source: Field data

4.5.2 Key Knowledge Resources in the Organization

According to study results Table 4.7, 53.8% of the businesses each identified information systems and communication styles as knowledge resources in the organizations, 38.5% materials, 35.9% each equipment and technology, 30.8% authority structures, 25.6% styles of working, 20.5% networks and 10.3% patents. These findings generally imply that information systems and communication styles were the main knowledge resources in the organizations.

Table 4.7: Key Knowledge Resources in the Organization

Driver	Percentage Response (%)		
	Yes	No	Total
Information Systems	53.8	46.2	100.0
Equipment	35.9	64.1	100.0
Materials	38.5	61.5	100.0
Styles of working	25.6	74.4	100.0
Authority Structures	30.8	69.2	100.0
Communication styles	53.8	46.2	100.0
Networks	20.5	79.5	100.0
Technology	35.9	64.1	100.0
Patents	10.3	89.7	100.0

Source: Field data

4.5.3 Extent of establishment of the ICT Department and use of Knowledge Champions

On the overall knowledge development and ICT department establishment, survey findings Figure 4.9, indicate that 51.3% of the respondents reported high, 28.2% reported moderate while 20.5% reported low. These findings generally indicate that establishment of the ICT department and use of knowledge champions was found to be generally high among the organizations.

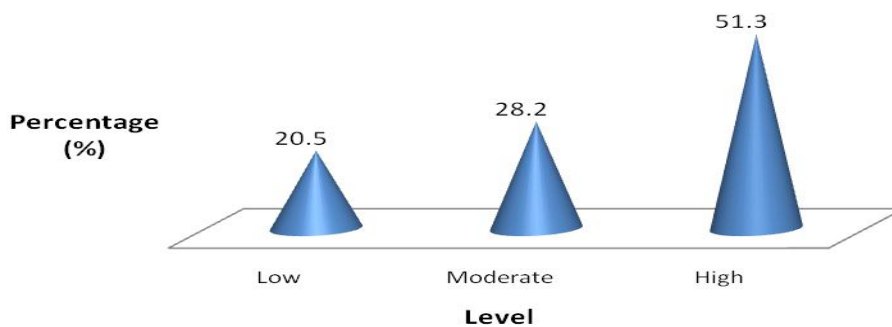


Figure 4.9: Overall ICT Knowledge Index

4.5.4 Extent of Knowledge Systems Implementation in the Organizations

On the overall systems implementation, survey results Figure 4.10 indicate that 48.7% of the respondents reported high, 30.8% reported moderate while 20.5% reported low. These findings indicate that system implementation was found to be generally high among the hospitality businesses.

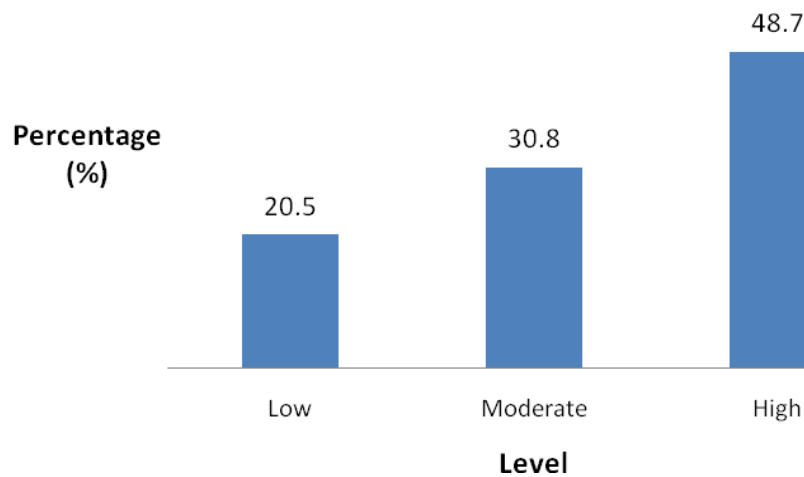


Figure 4.10: Overall System Implementation Index

4.6 Adoption of Knowledge Storage & Protection in the Organizations

The study sought to characterize the knowledge storage and protection strategies and determine the effect on sales growth in the hospitality industry in the study area. Study findings on various aspects of knowledge storage and protection were presented in the section below:

4.6.1 Backing up Data in Organizations

The study respondents were asked about how often their organizations backed up data and responses summarized in Table 4.8 below. It was established that 61.5% of businesses backed up data on daily basis, 23.1% backed up data weekly, 10.3% monthly while 5.1% did not back up data at all. These findings imply that majority of businesses backed up data daily.

Table 4.8: Backing up Data in Organizations

Period	Percentage %
Daily	61.5
Weekly	23.1
Monthly	10.3
Not at all	5.1
Total	39

Source: Field data

4.6.2 Storage and Protection of Information in the Organization

According to study findings Table 4.9, the forms of storage and protection of information in order of magnitude include: files (84.6%), flash disks (64.1%), CDs (35.9%), trademarks (10.3%), trade secrets (10.3%), patents (5.1%) and copyrights (2.6%). This suggests that files, flash disks and CDs were the main forms of storage and protection of information in the hotel businesses.

Table 4.9: Storage and Protection of Information in the Organization

Driver	Percentage Response (%)		
	Yes	No	Total
CDs	35.9	64.1	100.0
Flash Disks	64.1	35.9	100.0
Files	84.6	15.4	100.0
Patents	5.1	94.9	100.0
Copyrights	2.6	97.4	100.0
Trademarks	10.3	89.7	100.0
Trade secrets	10.3	89.7	100.0

Source: Field data

4.6.3 Extent of Legal Protection in Organizations

With regard to the overall legal protection among the organizations, survey results Figure 4.11 show that 46.2% of the respondents reported high, 35.9% reported moderate and only 17.9% reported low. The study findings indicate that knowledge management strategies in terms of legal protection were found to be generally high among organizations.

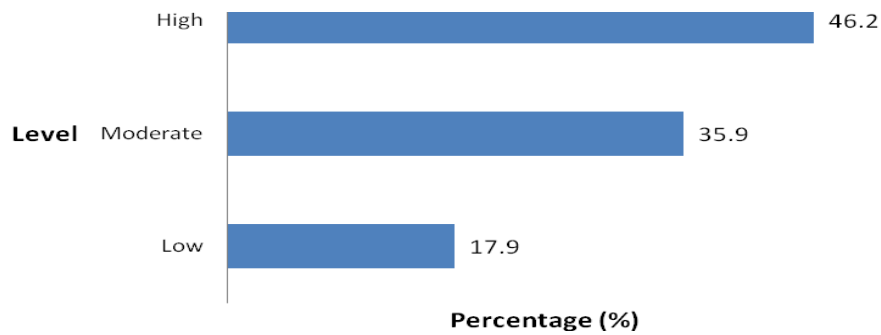


Figure 4.11: Overall Legal Protection Index

4.6.4 Extent of Business Policies implementation in Organizations

With regard to overall business policies implementation, survey results in Figure 4.12 show that 51.3% of the respondents reported high, 35.9% reported moderate whereas 12.8% reported low. It is evident from the findings that knowledge management strategies in terms of business policies was found to be generally high among the organizations.

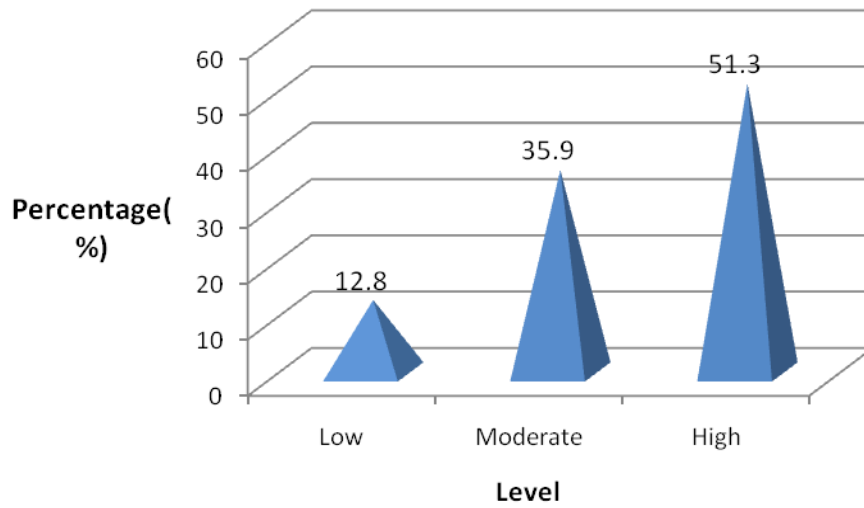


Figure 4.12: Overall Business Policies Implementation

4.6.5 Extent of the Use of Trade Secrets in Organizations

With regard to extent to which trade secrets was achieved in the organizations, survey data show that 49% of the respondents reported to a high, 49% reported moderate and only 2% reported low. The study findings indicate that trade secrets were achieved to a moderately high extent as shown in Figure 4.13.

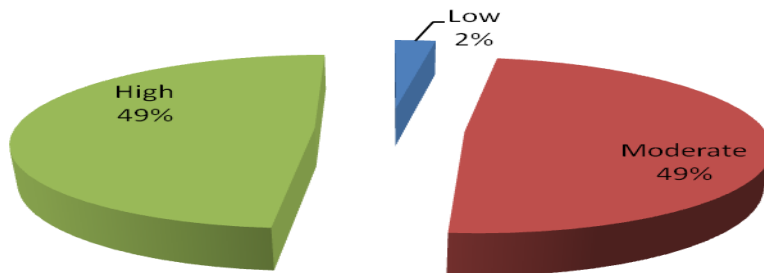


Figure 4.13: Overall Trade Secrets Index

4.6.6 Extent of Knowledge Transformation in Organizations

With regard to extent to which knowledge transformation was achieved, survey results show that 38.5% of the respondents reported to a moderate extent, 35.9% reported low and only 25.6% reported high. The study findings generally indicate that knowledge transformation was achieved to a moderate extent as shown in Figure 4.14.

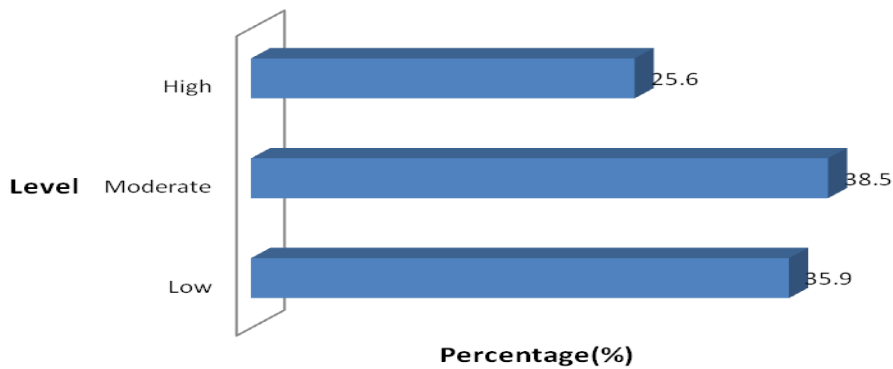


Figure 4.14: Overall Knowledge Transformation Index

4.7 Effect of Knowledge Management Strategies on Sales Growth

Objective three of the study sought to establish the effect of knowledge management strategies on sales growth in the hospitality industry. In order to achieve this objective, the study examined estimated annual sales among hotels (2006-2010) and the organizational growth attributed to various aspects of knowledge management strategies such as: knowledge creation and sharing; knowledge application/use as well as knowledge storage/protection.

4.7.1 Estimated Annual Sales among Hotels during the Period 2006-2010

According to study findings as shown in Table 4.10, estimated annual sales for the year 2006 indicated that mean sales of the hotels was Ksh. 876,000.00, with minimum sales of Ksh. 400,000.00 and maximum sales of Ksh. 2,400,000.00. Furthermore, annual sales information for the year 2007 indicated that mean sales of the hotels was Ksh. 1,037,272.72, with minimum sales

of Ksh. 300,000.00 and maximum sales of Ksh. 3,200,000.00. The study also established that during the year 2008, mean sales of the hotels was Ksh. 1,091,692.30, with minimum sales of Ksh. 100,000.00 and maximum sales of Ksh. 2,800,000.00. In addition, annual sales information for the year 2009 indicated that mean sales of the hotels was Ksh. 1,323,428.57, with minimum sales of Ksh. 290,000.00 and maximum sales of Ksh. 4,600,000.00. Finally, estimated annual sales information for the year 2010 indicated that mean sales of the hotels was Ksh. 2,357,750.00, with minimum sales of Ksh. 630,000.00 and maximum sales of Ksh. 10,000,000.00. These findings indicate that annual sales among the hotels increased steadily over the period 2006-2010.

Table 4.10: Estimated Annual Sales among Hotels during the Period 2006-2010

	Sales 2006	Sales 2007	Sales 2008	Sales 2009	Sales 2010
Mean(sales)	876,000.00	1,037,272.72	1,091,692.30	1,323,428.57	2,357,750.00
Minimum	400,000.00	300,000.00	100,000.00	290,000.00	630,000.00
Maximum	2,400,000.00	3,200,000.00	2,800,000.00	4,600,000.00	10,000,000.00
Sales Growth	-	161,272.72	54,419.58	231,736.27	1,034,321.43

4.7.2 Sales Growth Attributed to Knowledge Management Strategies

Study findings Table 4.11 indicate that in 20.5% of the businesses knowledge creation and sharing was responsible for 0-25 percent increase in sales growth, in 30.8% (26-50 percent), in 48.7% (51-75 percent) and none in 76-100 percent increase in sales growth. Further, results show that in 10.3% of the businesses knowledge application and use was responsible for 0-25 percent increase in sales growth, in 23.1% (26-50 percent), in 48.7% (51-75 percent) and in 17.9 (76-100 percent) in sales growth. Finally, findings reveal that in 7.7% of the businesses knowledge storage and protection was responsible for 0-25 percent increase in sales growth, in 20.5% (26-50 percent), in 35.9% (51-75 percent) and in 35.9% (76-100 percent) in sales growth. These findings indicate that in significant proportion of the businesses, knowledge management strategies were responsible for between 51-75 % of the increase in sales growth.

Table 4.11: Sales Growth Attributed to Knowledge Management Strategies

Strategy	Percentage Response (%)				Total
	0-25	26-50	51-75	76-100	
	Percent	Percent	Percent	Percent	
Knowledge creation and sharing	20.5	30.8	48.7	0.0	100.0
Knowledge application and use	10.3	23.1	48.7	17.9	100.0
Knowledge storage and protection	7.7	20.5	35.9	35.9	100.0

In this regard, the individual index score of knowledge management strategies that is Knowledge creation and sharing, knowledge application and use and knowledge storage and protection each was regressed against sales growth. The results of regression analysis were summarized in Table 4.12.

Table 4.12: Full Regression Model

Mode	Un-standardized		Standardized	t	Sig.
	Coefficients				
	B	Std. Error	Beta		
(Constant)	128.786	33.999		3.788	.001
Knowledge creation & Sharing	2.205	2.450	.199	.900	.374
Knowledge storage & Protection	.700	3.484	.040	.201	.842
Knowledge application and use	3.229	4.809	.158	.671	.506

Observations

R	.159(a)
R Square	.025
Sig. F Change	.823

a Dependent Variable: Sales growth

a Predictors: (Constant), Knowledge application, Knowledge storage & Protection, Knowledge creation & Sharing

From the full regression model above, the regression equation is therefore expressed as:

$$Y = 128.786 + 2.205x_1 + 0.7x_2 + 3.229x_3$$

According to the regression results, findings indicate that knowledge creation and sharing did not significantly affect sales growth in the hospitality industry ($P= 0.374$, $P > 0.05$). This relationship is not significant. Further, study findings reveal that knowledge application and use did not significantly affect sales growth in the hospitality industry ($P= 0.506$, $P > 0.05$). This implies that the relationship between knowledge application and sales growth was not significant. Findings also indicate that knowledge storage and protection did not significantly affect sales growth ($P= 0.842$, $P > 0.05$). This indicates that the relationship between the knowledge storage and protection and sales growth was not significant.

In summary, the regression results indicate that the three independent variables did not significantly affect sales growth of SMEs in the hospitality industry. This implies that the relationship was not significant. However, as shown in Table 4.12, knowledge creation and sharing has a greater influence on sales growth (Beta = 0.199), followed by knowledge application and use (Beta = 0.158) and finally knowledge protection and storage (Beta = 0.040).

According to the full regression model results in Table 4.12, the co-efficient of determination (R) indicated a value of 0.159 and $R^2 = 0.025$ or 2.5%. These findings confirm that the observed change in sales growth attributed to the knowledge management strategies that are knowledge creation and sharing, knowledge storage and protection and knowledge application was 2.5% while the remaining percentage could be explained by other intervening factors.

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study based on specific objectives, draws conclusion, and gives recommendations for practice and for further research.

5.2 Summary of findings

The main objective of the study was to examine the effect of knowledge management strategies on sales growth in the hospitality industry .The study addressed three objectives and answered three questions. This section presents a summary of the study findings based on the study objectives:

The study characterized the knowledge management strategies used in the hospitality industry in the study area. Descriptive findings indicate that customer loyalty and experience were the key knowledge assets in the organization. Similarly, telephone calls and word of mouth formed the bulk of the information communication and sharing in the organization. It is also evident from the findings that majority of businesses mainly employed the use of meetings, workshops and retreats to train their employees on new and improved technology.

Furthermore, study findings generally indicate that customer satisfaction and profitability were key asset drivers in the hospitality industry. Also, study findings generally imply that information systems and communication styles were the main knowledge resources in the organizations. In addition, majority of businesses backed up data daily while files, flash disks and CDs were the main forms of storage and protection of information in the hospitality industry. Finally, study findings suggest that the relationship between knowledge management strategies was generally positive and in significant proportion of the businesses, knowledge management strategies were responsible for between 51-75 percent increases in sales growth.

Study findings on use of knowledge creation and sharing indicate that research and development, meetings, team-building and documentation were highly achieved whereas interdepartmental interaction and communication were moderately achieved within the hospitality

industry. With regard to knowledge application/use, ICT knowledge development, knowledge assets and systems implementation were highly achieved in the hospitality businesses. Similarly, study findings on various aspects of knowledge storage and protection showed that legal protection, business policies and trade secrets were highly achieved while knowledge transformation was moderately achieved in the hospitality industry.

Specific objectives of the study sought to establish the effect of knowledge management strategies on sales growth in the hospitality industry. According to the regression results, findings indicate that knowledge creation and sharing, knowledge application and use and knowledge storage and protection did not significantly affect sales growth in the hospitality industry ($P=0.374, P > 0.05$), ($P=0.506, P > 0.05$) and ($P=0.842, P > 0.05$) respectively where by significance was set at ($P = 0.05$). This implies that the effect was not significant.

5.3 Conclusion

On the basis of descriptive findings, it can be concluded that that customer loyalty and experience were the key knowledge assets in the organization, telephone calls and word of mouth formed the bulk of the information communication and sharing in the organization. It is also evident from the findings that majority of businesses mainly employed the use of meetings, workshops and retreats to train their employees on new and improved technology. This implies that adoption and application of the knowledge management strategies have not fully actualized the intended sales growth in the hospitality businesses.

On the basis of the regression results, the study concluded that knowledge creation and sharing, knowledge application and use and knowledge storage and protection did not contribute significantly to the sales growth in the hospitality industry. This implies that despite adoption of knowledge management strategies in majority of hospitality businesses, this has not translated into corresponding levels of sales growth in these businesses. Thus sales growth in the hospitality firms in Nakuru municipality may be attributable to other factors.

5.4 Recommendations

5.4.1 Recommendations for management practice

It is evident from the study findings that the hospitality industry still embraces traditional forms of knowledge management strategies. The study thus recommends that the industry businesses need to adopt modern, effective knowledge management strategies such as best practice benchmarking, knowledge linking, strategic framing, capability protection, automation among others in order to achieve a reasonable level of sales growth. In addition, since the independent variables did not contribute significantly to the sales growth in the hospitality industry, this study therefore, recommends that in order to achieve higher sales growth, the businesses should consider applying more effective combination of knowledge management strategies while addressing other factors that affect sales growth for sustainable business performance.

5.4.2 Recommendations for Further Research

A similar study should be replicated in other parts of Kenya with a view to compare the outcomes. Further research studies should also consider investigating other factors that influence sales growth that may not have been covered in this study.

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APPENDICES

Appendix A: List of Targeted hotels in Nakuru Town

Table 3.1: List of targeted hotels in Nakuru Town.

Class D

1. HOTEL WATERBUCK LIMITED
2. HOTEL KUNSTE
3. MERICA HOLDINGS LIMITED
4. THE STEM HOTEL
5. HOTEL CATHAY LIMITED
6. LAKE NAKURU FLAMINGO LODGE
7. BONTANA HOTEL
8. SHIRIKISHO HOTEL COMPANY LIMITED
9. PIVOT HOTEL
10. RIFT VALLEY SPORTS CLUB
11. SAROVA LION HILL
12. AVENUE SUITES HOTEL
13. PRESBYTERIAN CHURCH OF EAST AFRICA
14. MIDLAND HOTEL LTD

Class C

15. ENTERPRISE HOTEL LIMITED
16. ROYAL SPRING HOTEL LIMITED
17. SALAMA RESORT
18. COOL RIVERS HOTEL
19. SUNDOWNER LODGE LTD
20. SHIK PARK VIEW HOTEL
21. KENLANDS RELAX INN
22. KWANZA HOTEL
23. NEW HIGH LIFE HOTEL NAKURU
24. JUMUIA GUEST HOUSE(N.C.C.K)
25. HOTEL JAMKA

Class B

26. HOTEL GENEVIEVE LTD
27. SEASONS HOTEL LIMITED
28. GRACELAND HOTEL LIMITED
29. HOTEL RE-RHINO
30. THE EROS HOTEL
31. DIMPLES HOTEL LIMITED
32. ECLIPSE INTERNATIONAL LIMITED
33. FLAMINGO HILL CAMP LIMITED
34. NURU PALACE HOTEL LIMITED
35. CHESTER HOTEL (K) LTD
36. VIENA HOTEL LIMITED
37. TOPTREE CAMP LIMITED
38. HELIPORT GUEST HOUSE
39. SAFARI BITE LIMITED

(Source: Business register of the Municipal Council of Nakuru Town as at August, 2011.)

Appendix B: Questionnaire

TO WHOM IT MAY CONCERN

RE: DATA COLLECTION QUESTIONNAIRE:

I am a Student at Egerton University Nakuru Town Campus pursuing Masters of Business Administration with a bias in Strategic Management. This questionnaire therefore, is aimed at collecting data required for a study on ‘**THE EFFECTS OF KNOWLEDGE MANAGEMENT STRATEGIES ON SME’s GROWTH; A CASE OF HOSPITALITY INDUSTRY IN NAKURU TOWN MUNICIPALITY.**’ You are kindly requested to fill in the questionnaire with precision and accuracy. Any information given herein will be treated with utmost confidentiality and shall be used for the purpose of this research only.

Yours faithfully.

Winfred Musangi Mulinge

PART A; GENERAL INFORMATION FOR THE BUSINESS AND RESPONDENT.

NAME OF THE BUSINESS.....

Please tick (✓) in the appropriate box where necessary.

1. Please indicate the location of your business

Within town outside town

2. How can you describe the ownership of your business? Tick appropriately

Sole proprietorship Limited liability Company

Partnership Other specify

3. What kind of products/services does your business offer? Tick appropriately.

Food Seminars & Conferences

Beverage Swimming

Accommodation Other

4. Please indicate the age (in years) of your business since inception?

1 year 4 years

2 years 5 years

3 years over 5 years

5. Please indicate your gender.

Female Male

6. Indicate the management position you hold in the business?

7. Indicate the highest level of education you attained?

Certificate Diploma Bachelor Masters None

8. Please indicate (if any) the professional qualifications you hold in regard to the current occupation.

9. Please indicate the number of years you have worked in the business? Tick appropriately

Less than 1 yr 0-1 yr 1-3 yrs 3-5 Over 5yrs

10. Indicate the number of regular employees that your business has? Tick appropriately

10-20 21-30 31-40 41-50 Over 50

PART B: KNOWLEDGE MANAGEMENT STRATEGIES:

1. Knowledge creation and sharing

1. Who are the key decision makers in your business?

- i) Owners
- ii) Senior employees
- iii) Departmental managers
- iv) Other specify

2. What are the key knowledge assets in the organization? Please tick as appropriate.

- i) Stakeholder relationships,
- ii) Know-how,
- iii) Trust
- iv) Customer loyalty
- v) Employee competency
- vi) Experience

3. In which ways do you use to communicate or share information within your business? ,

- i) Memos/Circulars
- ii) Letters
- iii) Phone calls
- iv) E-mails
- v) Word of mouth
- vi) Other specify

4. Which of the following methods do your departmental managers use when they want to train employees on new or improved technology?

- i) Seminars
- ii) Workshops
- iii) Retreats
- iv) Meetings
- v) Magazines
- vi) Manuals
- vii) Brochures
-

viii) Further studies

ix) Other specify

5. Indicate the extent to which you agree or disagree with the following statements concerning the following observations of knowledge creation and sharing in your business. Use the scale below to tick appropriately in the table below:

**1- Strongly disagree; 2 – Disagree; 3 – Undecided; 4 – Agree and
5 - Strongly agree**

Statements	Rating				
	1	2	3	4	5
Research and development					
i) The commitment of the management to research and development has significantly improved.					
ii) There is increased support and exposure of employees to research and development in order to address competition.					
Inter-departmental interactions					
1. There is improved working relationship among all the business stakeholders.-					
2. Attitudes of management towards its customers and employees have significantly improved.					
3. The conflict resolution mechanisms within and outside the departments of the business are satisfactory.					
Control of the Reward system					
1. All heads of departments are involved in the evaluation of performance of all employees.					
2. The control of the reward system is done by key staff drawn from all departments of the business.					
3. The staff are recruited and promoted fairly					
Meetings					
1. The meetings are regular and adequately communicated to					

the staff.					
2. The conduct of all the meetings of the business is satisfactory.					
3. The sharing of ideas and experiences in meetings aimed at better performance has significantly improved.					
Communication					
i) Communication channels are clearly outlined in the strategic plan of the business.					
ii) The hierarchical order of communication in the business is well established.					
Team building, seminars and workshops					
i) Team building forums are often organized to motivate staff to share their work experiences and discuss better ways of executing their duties.					
ii) When there are retreats, seminars and workshops organized for staff, experts are invited to share ideas on different fields of knowledge.					
Documentation					
1. All procedures and processes of the business are clearly outlined in the business plan to ensure standardization.					
2. The vision, mission and the objectives of the business are properly displayed openly within the premises where all stakeholders can see.					

2. Knowledge Application

1. What are the key drivers in your business sector? Please tick as appropriate.

- i) Customer satisfaction
- ii) Profitability
- iii) Growth
- iv) Other

2. What knowledge resources are highly used in your business? Please tick as appropriate.

- i) Information systems,
- ii) Equipment,
- iii) Materials,
- iv) Styles of working,
- v) Authority structures,
- vi) Communication styles
- vii) Networks, etc.

3. Indicate the extent to which you agree or disagree with the following statements concerning the application and use of knowledge within your business. Use the scale below to tick appropriately in the table below:

**1- Strongly disagree; 2 – Disagree; 3 – Undecided; 4 – Agree and
5 - Strongly agree**

Statements	Rating				
	1	2	3	4	5
ICT Department & Knowledge champions					
1. The management has established a well staffed and equipped ICT department.					
2. There is increased training and development of staff(On-Job training)					
3. The management has employed professional knowledge experts to head the ICT department.					
4. Computers and any other technological assets are well maintained and serviced.					
Knowledge Assets					
1. There is improvement in the competency of the key staff.					
2. The strategic focus of the organization is to significantly increase customer loyalty.					
3. Stakeholder relationships with the business have greatly improved.					
4. Customers needs, complains, and enquiries are addressed					

effectively and with the urgency required.					
5. The experience possessed by the staff has significantly lead to improvement in the performance of the business.					
Systems Implementation					
1. Proper training of all the staff has always been done before any software and networks are installed within the business					
2. All employees are involved in setting and achievement of performance targets at different levels.					
3. There is a key person selected to lead the other staff during and after the system implementation for any follow ups.					

3. Knowledge Storage and protection

1. How often do you back up your data? Tick as appropriate

- i) Daily (iii) Weekly
 ii) Monthly (iv) Not at all

2. Which of the following ways does your business use to store and or protect information from external interference? Please tick as appropriate

- i) CDs
 ii) Flash disks
 iii) Files
 iv) Other
 v) Patents
 vi) Copyrights
 vii) Trademarks
 viii) Trade secrets
 ix) Other specify

3. Indicate the extent to which you agree or disagree with the following statements concerning the storage and protection of knowledge and information within your business. Use the scale below to tick appropriately in the table below:

**1 - Strongly disagree; 2 – Disagree; 3 – Undecided; 4 – Agree and
5 - Strongly agree**

Statement	1	2	3	4	5
Legal Protections					
i) The management has sought legal protection of business knowledge by acquiring intellectual properties such as patents, trademarks and copyrights.					
ii) All staff are expected to submit their professional code of ethics before employment.					
Business policies					
i) There are policies to ensure that simple security measures are observed by all staff.					
ii) Mechanisms have been put in place to ensure that there is control on information that can be accessed by or presented to the public.					
iii) There is a specific employee bestowed with the responsibility to back-up the business data on a daily basis.					
Trade Secrets					
i) Staff are required at the time of employment to sign a non-compete or non-disclosure agreement at the time of employment.					
ii) Employees are trained on how to keep sensitive information a secret and also on how to avoid discussing the business in public places.					
iii) All the staff are required to log-in using the assigned passwords in order to access any business information.					
iv) There are lockable file cabinets where sensitive information documents of the business are kept.					
Knowledge Transformation					

a) The staff turn over has reduced.					
b) Policies have been put in place to control and regulate employee turnover.					
c) The management of the business compensates key staff fairly for their knowledge efforts and experience in order to secure their retention.					
d) Employee exit interviews are carried on to find out the main reasons for leaving the employment.					

4. Knowledge management Strategies Vs Sales growth.

1. How many customers on average do you serve in a day for the last five (5) years i.e 2006-2010?

<u>Year</u>	<u>Average no. of customers in a day</u>
2010	<input type="text"/>
2009	<input type="text"/>
2008	<input type="text"/>
2007	<input type="text"/>
2006	<input type="text"/>

2. In your own opinion, please estimate the annual sales that your business has made for the last five (5) years i.e. from 2006-2010. Give your figures in (‘000).

	<u>Sales turnover (Kshs)</u>
<u>Year</u>	
2010	<input type="text"/>
2009	<input type="text"/>
2008	<input type="text"/>
2007	<input type="text"/>
2006	<input type="text"/>

3. In your own opinion, do you think there is any relationship between the adoption of knowledge management strategies and the number of customers and sales turnover as indicated

above?

Yes No

4. If the answer to 2 above is 'yes', please tick as appropriate how you would describe the relationship.

Positive Negative Other Specify

5. In your own opinion, what percentage increase do you think the indicated knowledge management strategies have contributed to the sales growth in your business? Use the scale given to tick appropriately in the table below:

1. Knowledge management strategies	Sales growth Rating (%)			
	0-25	26-50	51-75	76-100
Knowledge creation and sharing				
Knowledge application				
Knowledge storage and protection				

Thank you for your cooperation.