INFLUENCE OF KNOWLEDGE MANAGEMENT ON FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA A CASE OF MIGORI COUNTY

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ABSTRACT

The ability to manage an organization's knowledge ultimately results in smarter and more capable organization thus enabling it to manage its financial assets cheaper, better and more effectively than its competitors. The general objective of this study was to determine the influence of knowledge management practices on the financial performance of Small and Medium Enterprises in Kenya. The specific objectives was to determine the influence of knowledge acquisition on the financial performance of Small and Medium Enterprises in Kenya, to assess the influence of knowledge sharing on the financial performance of Small and Medium Enterprises in Kenya and to establish the influence of organizational learning on the financial performance of Small and Medium Enterprises in Kenya. The scope of this study was the small and Medium Enterprises in the 8 constituencies of Migori County. This Study was guided by knowledge based view theory that underpin the influence of knowledge management practices on the financial performance of Small and Medium Enterprises. Survey research design was used in this study. In particular, the cross sectional design was adopted. In cross sectional survey design, data was collected from the same target population at one point in time. The target population comprises of all the 114 Small and Medium Enterprises in Migori County. The study adopted stratified sampling methodology that established a sample size of 35 employees. Data was collected using a structured questionnaire. Data analysis was carried out using statistical package SPSS (Statistical Package for Social Scientists). The study made use of descriptive statistics like percentages and mean to establish the influence of various strategies on amount of revenue collected. Analyzed data was presented in tables. The results indicated that most of the respondents had more than 10 years work experience which highly improved their competence at work thus influencing their output at work. Knowledge acquisition, knowledge sharing and organizational learning influence financial performance of Small and Medium Enterprises in Kenya. This study concluded that the independent variables studied influenced the dependent variable. In order to realize maximum financial performance, the researcher recommends that the SMEs needs to empower the staff through capacity building and in the area of information technology. Staff should familiarize themselves with knowledge management in order for them to maximize the profit. Leadership needs to embrace one another, exercise openness, and inspire others.