Knowledge Management As A Tool For Employee Retention In Saccos

I. INTRODUCTION

Knowledge Management, like knowledge itself, is difficult to define. Concepts and practices evolved through the 1990s as management in the postindustrial era only realized that knowledge was perhaps the critical resource, rather than land, machines or capital Drucker (1993). However, once organizations embraced the concept that knowledge could...
make a difference to performance and that somehow it should be managed better, they often have not known where to start. In short, initiating a knowledge management program was a non-trivial issue. One approach was to appoint a Chief Knowledge Officer (CKO) Earl (1998), but he faced the same dilemma – where or how to begin.

The environment in which organizations operate has clearly changed from predictability to uncertainty. Woodruffe (1999), Organizations want more from the best workers than their presence and their retention. They want them to innovate, and in order for this to happen, people have to feel safe to take risks. Innovation involves taking a chance and people have to trust the organization not to punish a chance that does not pay-off. To produce the ideas, (talented) people have to be in the right environment. As Hope and Hope (1997) argue in the third wave, ideas must be harnessed and nurtured and this requires a new relationship between managers and workers, one based more on trust and partnership than on control and compliance.

Organizations want more from the best workers than their presence and their retention. In the co-operative sector, reports indicate that the staff turnover increased from 15.6% in 1999 to 19.2% in 2001, a concern that necessitated employers to review the root causes especially on job satisfaction, employee motivation and employment policies (Kibanga, 2003).

OBJECTIVES OF THE STUDY

- To explore the extent to which Knowledge Management Principles and Practices were used to retain employees.
- To establish ways in which retained trained employees contributed to the effectiveness of an organization.
- To find out Knowledge Management practices have been incorporated in Saccos Human Resources Strategy.

II. LITERATURE REVIEW

KNOWLEDGE TRANSFER POLICIES, PROGRAMS AND PRACTICES

THE IMPORTANCE OF VALUES AND COMMUNICATION

Practicing effective knowledge management and transfer requires, first and foremost, that a company has a good sense for what strategic role knowledge has to play in its operations. Some authors in fact caution that there is often a temptation for companies to get caught up in the lure of new knowledge management technologies without having spent enough time considering corporate values, knowledge management objectives and communications with employees to reinforce the value of knowledge (Stantous and Surmacz, 2001). Many if not most of knowledge management authors consulted in this study emphasize the importance of recognizing the knowledge assets vested in workers as valuable and understanding what business targets or objectives could be supported by making better use of them. Birkinshaw (2001) argues that in these literature sources one can clearly note the importance of: Understanding the role of knowledge management objectives relative to broader business goals and strategies, and providing the resources needed to integrate these effectively; Creating a workplace culture that recognize the value of tacit knowledge; Creating a workplace culture that encourages those within the organization to share their knowledge and collaborate; Communicating openly with employees about why their knowledge is important and valued and how they are expected to align their professional behavior accordingly; Recognizing the good knowledge sharing practices of individuals (Cameron, 2002).

The recognition of good practices is also an effective way of a company to communicate what practices it considers to be important. It can also take useful steps to reinforce the importance of knowledge sharing practices by rewarding and recognizing workers who do this well (Cameron, 2003). Thus, many companies offer financial or non-financial rewards to employees who devise particular solutions to business or operational problems, distinguish themselves as trainers or sharers of information. Communication must also strive to address workplace cultural factors that might impede effective knowledge management. For knowledge management and transfer to be successful, firms must encourage individuals to work together, interact and share ideas (Birkinshaw, 2001).

MENTORING AND COACHING

Mentoring and coaching are already familiar to most firms as a training tool, but they also are valuable in transferring intangible and tacit knowledge (Frank, 2002). They achieve this by pairing experienced workers with less experienced workers over a period of time, allowing the less experienced partner to observe and absorb actions of the mentor or coach. Frank also mentors that mentoring and coaching are useful ways for workers to share ‘lessons learned’, as the mentored will often have the chance to benefit from the mentor’s trial and error experience.

JOB ROTATIONS

Already a familiar training and development practice, rotating employees through different positions, and often different departments permits experience and knowledge to be shared among areas of a firm that might not normally collaborate closely with one another. Similarly, cross training (where, for example, manufacturing operators are rotated through the positions that allow them to acquire competency using different machines and equipment) allows for a limited form of knowledge sharing usually within a particular area of a company. It should be noted that cross-training also has the added benefit of developing an increasingly flexible workforce.

PHASED-IN RETIREMENTS

Phased-in retirement is any ‘arrangement that enables employees approaching normal retirement age to reduce their work hours and job responsibilities for the purpose of gradually easing into full retirement (Smolkin, 2001). In addition to being a useful retention tool, phased-in retirements can be effective knowledge transfer tools, particularly for...
companies concerned about waves of workers retiring in a short period of time. It can allow for increased lead time in bringing new recruits, while temporarily retaining the knowledge of a company’s most experienced workers. This in turn allows for a longer period of time to achieve intergenerational transfers of knowledge and experience.

DOCUMENTING KNOWLEDGE: THE ROLE OF TECHNOLOGY

A very large part of knowledge management literature is devoted to discussions of particular types of technology that support knowledge transfer. This may be driven in part by the fact that many of the major and well known studies of knowledge management are about relatively large, and often high technology companies with considerable technological expertise and large budgets for technological infrastructure (Cameron, 2003). The extent to which the technologies can be implemented by smaller firms is a serious question that each Sacco would need to assess according to its own capacity. It should be noted, however, that the implementation of knowledge technologies should never be seen as a substitute for the social interactions that are the foundation of knowledge transfer and sharing (Birkinshaw, 2001). Thus, for example, practices such as mentoring and coaching are equal effective ways of sharing knowledge depending on a Sacco’s particular characteristics and requirement.

CONCEPT OF EMPLOYEE RETENTION

NEW ENVIRONMENT AND ROLE OF HUMAN RESOURCE MANAGEMENT

By the start of 1990s, all had certainly changed and today the “good old days” seem a distant memory. The sense of guaranteed predictability of knowing what would happen have been replaced by doubts and questions. The environment in which organizations operate has clearly changed from predictability to uncertainty (Woodruffe, 1999). Recent pressures have raised the level of concern on human resources management, which changes some facets of relationship between employees and employers.

The organizations would not exist without people constituting its relationships. As people interact, they define the structure of the organization (Espejo, 1996). People are the organization’s human element. It includes owners, employees, contractors, suppliers, and all related humans who collectively bring to the firm to solve problems. Human capital is one of the major elements of an organization’s intellectual capital - knowledge that can be converted to value (Edvinsson and Sullivan, 1996). In line with increasingly important role of human capital, human resources management has become the care of corporate strategy. The control priority of most managers requiring the greatest amount of time and attention is the proper identification, development, promotion, and reward of best people (Hax and Majluf, 1991).

PEOPLE RETENTION. WHY PEOPLE STAY WITH THEIR ORGANIZATIONS

Talented people are increasingly recognized as the prime source of sustainable competitive advantage in high performance organizations. If organizations cannot make employee stay with them, then their operations will not operate and their strategies will fail. Retention is at the centre of the organization and its business strategy (Dibble, 1999).

From the view point of a company’s policies on employment and turnover, the reasons why people stay in their jobs are just as important as the reasons why they leave them. Flowers and Hughes (1973) attribute employees stay to “inertia”. Employees tend to remain with the company until some forces causes them to leave. There are two factors within the company and also two outside the company affecting this inertia. Within the company, there are issues of job satisfaction and company environment and the degree of comfort an individual employee feels within it. An employee’s inertia is strengthened or weakened by the degree of compatibility between his own ethics and the values for which the company stands.

RETENTION PRINCIPLES AND PRACTICES

Principles for people retention can be summarized and presented by some major components; Matching values to interests (Butler and Waldroop, 1999 et al); Trusting and supporting (Hope and Hope, 1997 et al); Individualizing approaches to retention (Woodruffe, 1999 and Dibble, 1999 et al); Promoting open and effective communication (Barsoux, 1996 et al).

As moving to practical area, managers need something similar to some kind of manual instructions. Firstly, to make the ability to retain best people a top management priority (Hiltrop, 1999). As Chamber et al, (1998) put it: “Companies that manage their physical and financial asset with vigor and sophistication have not made their people a priority in the same way”. Secondly, imperatives before going ahead; Identify employees needed to keep, shift focus from broad retention programs to highly targeted efforts aimed at particular employees or group of employees (Dibble, 1999 and Cappelli, 2000); Understand the cost of losing employees (Dibble, 1999 and Management Training Seminars, 2001); Assign responsibility for actions, make line managers accountable for the people they need and lead (Hiltrop, 1999). Retention starts with job descriptions, recruitment, selection and orientation (Dibble, 1999). Foundations of retention should be viewed through the eyes of potential employees. They are the customers for organizations. If the foundation is not prepared well, organizations cannot expect them to stay.

An organization should become an employer of choice, who can identify and use its own distinctive qualities, characteristics to make itself attractive to (current and potential) employees. Gathering information from current employees (why they stay), new employees (why they join), former employees (why they leave) and potential employees who turned the job offer down (why they refuse), helps identify what attracts and retains employees (Dibble, 1999).
Finally, organizations should know how to live when people depart. Capelli (2000) argues that market, not a company, will ultimately determine the movement of employees. An organization can be made so pleasant and rewarding a place to work and problems that may push people towards exit can be fixed. But, the organization cannot counter the pull of the market; its people cannot be shielded from attractive opportunities and aggressive recruiters. The old goal of human resources management - to minimize overall employee turnover - needs to be replaced by a new goal; to influence who leaves and when.

PAST STUDIES OF KNOWLEDGE MANAGEMENT AND EMPLOYEE RETENTION

COMPENSATION LEVELS

The Human Resource literature that covers compensation is quite likely the largest part of the literature that applies to employee retention. Most of the sources consulted in this study stress the importance of compensation in attracting and keeping good employees, particularly for workers whose skills and responsibilities are unique or indispensable to the organization, or for those workers in whom the company has invested considerable resources in recruiting or training. Conversely, authors like Lawler (1990), argues that low wage strategies may be appropriate if work is simple and repetitive and require little training. Similarly, Smith (2001) argues that ‘money gets employees in the door, but it doesn’t keep them there’. Ashby and Pell classify money as a ‘satisfier’ meaning that it is a necessary, but sufficient factor in employee retention, while Harris and Brannick (1998) agree that money is not the primary motivator of employees. In fact many companies have done a very good job of retaining their employees without any pay-based retention incentives (Pfeffer, 1999).

Finally, it is important to distinguish between what might be called normal or standard compensation - wages, salaries, benefits, etc - and what is commonly referred to as performance-based compensation i.e. specific forms of compensation that are paid for workers or groups of workers who attain certain objectives vital to a company’s business strategy. Performance-based compensation - or pay for performance - is becoming increasingly popular form of compensation, particularly since its various forms are closely tailored to very specific company objectives, including employee retention (Butteriss, 1999; Harris and Brannick, 1999).

BENEFITS

Benefits can demonstrate to employees that a company is supportive and fair and there is evidence to suggest that stable benefits are at the top of the list of reasons why employees choose to stay with their employer or join the company in the first place (Dibble, 1999; Tompkins and Beech, 2002; Tillman, 2001). However, it is often the case that many employees do not realize the ‘true value’ of the benefits they receive (Meyer, 2003) nor are they always sure what motivates the employer to provide these benefits. Thus, the link between benefits and employee commitment is not always strong.

PERFORMANCE-BASED COMPENSATION

In general, the key purpose behind performance-based compensation is two-fold. It is: a means of modifying individuals’ behavior within an establishment in order to better align their activity with particular business objectives; and a way of influencing the development of particular types of organization culture (e.g. team-based pay can lead to a stronger team-based culture, skilled-based pay or profit-sharing can contribute to a culture of stability and mutual commitment; Meyer, 2003).

Even through Lawler’s typology of compensation systems (1990) is old at this point, we have presented it below as it retains the essential in which we still think about performance-based pay; Incentive pay systems pay pre-determined amounts of each unit produced (piece rate); Merit Pay allocates pay increases based on individual performance. It can play a major role in attracting and retaining particular employees, and can both to good retention and beneficial turn-over, i.e. good performers stay and poor performers leave; Gain sharing financial gains in organizational performance is shared with all employees in a single plant using a predetermined formula measured against a historical benchmark; Profit sharing pay is related to the company’s overall financial performance. Profit sharing is different from gain sharing in that it does not necessarily participative management, and does not measure employee-controlled or productivity-related financial performance. Example, Under Canadian Tire’s profit sharing plan, full time and qualifying part time staff receive a 6.75% share of the company’s pre-tax profits. Profit sharing has, on average, vested about 11% of base salaries into investment funds (Felix, 2000); Employee Stock Ownership Plans (ESOPs) for publicly traded companies, employees are partly compensated through shares in the companies’ stock. (Meyer, 2003) cites a number of different studies that positively link ESOPs and organizational commitment.

Research also indicates, however, that ESOPs in and of themselves, are not sufficient to increase ‘effective commitment’, for example, measures to increase employees’ say in how the company is run might be one type of support needed to increase commitment (Meyer, 2003). Example 80% of Canadian Tire employees participate in the stock purchase plan. Income tax obligations on contributions are assumed by the employer (Felix, 2000); Skill-based pay under this arrangement, the employee is paid according to his or her skill and experience, i.e. the company pays for the person rather than the job position; Bonus plans these have the advantage of being flexible, and capable of targeting particular behaviors that a company might want to change or promote without increasing fixed costs (Meyer, 2003); Retention-based compensation these include bonuses and other forms of compensation based on job tenure. Meyer (2003) notes that a potential disadvantage to this form of compensation is that it can contribute to reduced employee motivation, inhibit behavioral change, encourage risk aversion, and can often be expensive for organizations with long employee tenure.
DATA ANALYSIS AND PRESENTATION

The nature of the data collected was qualitative on the basis of the factors highlighted. Data was analyzed using Microsoft Excel Package and SPSS Software. The interview guide was edited for completeness and consistency. The data was analyzed by looking at the KM practices used and how they impacted on employee retention in the Sacco. The KM practices were evaluated basing on the retention they were meant to respond to. The Impact of the KM practices of the Sacco under review was analyzed to establish their retention extent. The results were be tabulated for ease of comparison and interpretation of findings.

III. FINDINGS

THE EXTENT TO WHICH KNOWLEDGE MANAGEMENT PRINCIPLES AND PRACTICES ARE BEING USED TO RETAIN EMPLOYEES

The study findings established that the turnover rate in the SACCOs was very low, i.e. according to most respondents, less than 2 members of staff left the organization in a year. This was because of the use of knowledge management principles.

It came forth that the mechanisms of reminding the employees about the organization values frequently did so. Most board members (10, 83.33%) said that the mechanisms that the organization had put in reminding the members of staff about the organizations values, reminded them many times. While most of the sampled members of staff (6, 40%) said that the mechanisms that the organization had put for reminding the members of staff about the organizations values, reminded them many times. Accordingly 91.67% respondents said that, frequent communication of the organization values increased employee retention through reduced employee turnover.

Experienced staff in the Sacco, very often or often shared knowledge with less experienced staff in the SACCO. A total of 4 (33.33%) of the employees and 9 (60%) of the board members said that the experienced members of staff very often shared information with less experienced staff members. In addition a total of 7 (58.33%) employees and 6 (40%) of the board members said that the experienced members often shared information with the less experienced staff members. Accordingly 11 (91.67%) of the sampled employees and 11 (73.33%) of the board members had it that sharing of information by the employees and board members reduced employee turnover and therefore increased employee retention rate.

Phased in retirement was not practiced in the SACCO, this was according to the views of 11 (73.33%) employees and 11 (91.67%) of board members who said that there was no phased in retirement practiced in the SACCO. This showed that the phased in retirement was largely not practiced in the SACCO. Additionally, mostly employees and board members had it that practicing or not practicing of phased in retention had no effect on retention. Among the employees who had said that their departments practiced phased in retirement 8 (66.67%) respondents said that phased in retirement had no effect on retention.

The study found that the SACCO had put in place mechanisms for gathering opinions and suggestions from the members of staff as well on what they disapprove as well as what they think should be implemented. The established avenues were departmental meetings where staff could raise issues of concern to them and also things that they felt should be changed or improved. There were suggestion boxes for receiving complaints and ideas from the staff and members on what needed improvement. The human resource department had set up an office for receiving the complaints of the staff members and approval from the staff members. For instance, the SACCO had set up an office for scrutinizing and reviewing and analyzing staff welfare matters. The study sought to know how these factors influenced employee retention rate. All the sampled employees had it that these factors reduced cases of displeasure which can be a cause for employees to resign or be terminated and therefore this improved employee retention rate.

It was found that the SACCO largely did not practice reshuffling of staff; 11 (73.33%) employees and 11 (91.67%) of board members said that there was no reshuffling of employees in the departments for the purpose of the employees sharing of knowledge within the SACCO.

Most employees and board members had it that practicing or not practicing of internal reshuffling had no effect on retention. Among the employees who had said that the SACCO practiced internal reshuffling, 8 (66.67%) of them said that phased in retirement had no effect on retention. While among the sampled employees who said that the SACCO practiced or did not practice reshuffling, most had it that the process did not affect the retention process. This showed that reshuffling, largely did not have an impact on retention.

The study established that the SACCO hardly gathered information on why current employees are still working with the organization, why new employees joined the organization, and lastly why potential employees turn down job opportunities in the organization for other job areas. A total of 2 (16.67%) sampled employees had it that the organization sought to know why current employees were still in the organization while only 4 (33.33%) of the sampled employees said that they gathered information on why new employees joined the SACCO. Notably, no respondents said that the SACCO gathered information on why former employees left the organization or why potential employees turn down job opportunities in the organization for other job areas.

WAYS IN WHICH RETAINED TRAINED EMPLOYEES MAKE CONTRIBUTION TO THE EFFECTIVENESS OF AN ORGANIZATION

The study established that the SACCO was efficient in its operations. For instance, issuance of loans had was the operation that was most efficient at a mean score of 4.57. Banking of services SACCO was the second most effective service of the SACCO with a mean score of 4.35. Treatment
of the employees by the SACCO members had the third highest mean score of 4.04. How to access the vision, premier and normal loans was the fifth highest effective operation of the business with a mean score of 3.98. Dividends issuance by the SACCO was the sixth highest SACCO operation according to the respondents with a mean score of 3.92. Bridging of loans by the SACCO was the seventh highest effective operation of the SACCO with a mean score of 3.76. The loan products offered by the SACCO were the eighth effective operation of the SACCO with a mean score of 3.71 and lastly loaning services policies of the SACCO was the least effective operation of the business with a mean score of 3.43. The results in table 4.10 below shows that the SACCO performed above average in its operations save for loaning policies of the SACCO which had an average mean score. All the other operations had above average mean scores.

It emerged that most of the SACCO employees were trained in the organizations; A total of 10 (83.33%) sampled employees said that they had been trained on the job. Only 2 had not been trained. It emerged that trainings improved the effectiveness of the employees through making the employees understand their job better therefore increasing their participation in work since they understand their jobs better (10, 83.33%), trainings enable staff members to understand new techniques that are more efficient therefore improving and therefore by extension the effectiveness of the whole organization is improved (9, 75%), trainings enables the employees to understand the systems of the organization properly to be enable them achieve synergy (8, 66.67%), trainings enables the staff members to know short cuts of doing large and complex tasks therefore saving time (4, 33.33%), trainings on computer application enables employees to computerize their operations reducing the time wasted by manual work (3, 25%) and lastly, trainings on time keeping instills values that ensure that the employees save time in their operations therefore reducing ineffectiveness due to lost time(2, 16.67%)

**THE KNOWLEDGE MANAGEMENT PRACTICES THAT ARE INCORPORATED IN SACCOS HUMAN RESOURCES STRATEGY**

Human resources mechanisms of reminding the employees about the organization values worked more frequently. Most board members (10, 83.33%) said that the mechanisms that the human resource had put in reminding the members of staff about the organizations values, reminded them many times. The mechanisms were in two forms, documented information and non-documented information.

In terms of documented information / knowledge in the organization, the mission and vision statements were clearly printed on the staff badge, 10 (66.67%) employees said that the rules and regulations were clearly spelled out on the badges and this therefore enabled them members not break the rules and lastly 4 (26.67%) of the sampled members of staff said that the mission and vision statements were clearly spelled out on the gate. for the case of non-documented information, 8 (53.33%) sampled employees said that in every staff meeting the members of staff were frequently reminded on the importance of observing the code of conduct and principles of the organization and 7 (46.67%) sampled employees said that in every departmental meeting, the members of staff were frequently urged to follow the culture and policy of the organization.

The experienced staff in the SACCO, very often or often shared knowledge with less experienced staff in the SACCO. A total of 4 (33.33%) of the employees and 9 (60%) of the board members said that the experienced members of staff very often shared information with less experienced staff members. On the other hand a total of 7 (58.33%) employees and 6 (40%) of the board members said that the experienced members often shared information with the less experienced staff members.

Largely phased in retirement was not practiced as a human resource strategy, 11 (73.33%) employees and 11 (91.67%) of the sampled board members said that there was no phased in retirement practiced in the SACCO human resource strategy. This showed that the phased in retirement was not practiced in the SACCOs as a human resource strategy.

Staff rotation was also largely not practiced according to 11 (73.33%) of the sampled employees and 11 (91.67%) of the sampled board members said that there was no reshuffling of employees in the departments for the purpose of the employees sharing of knowledge within the SACCO. This showed that reshuffling was not to a high extent not practiced in the SACCOs as a human resource management strategy.

The SACCO largely did not collect information on why current employees are still working with the organization, why new employees joined the organization, information on why former employees left the organization and lastly why potential employees turn down job opportunities in the organization for other job areas. No respondent said that the SACCO gathered information on why former employees left the organization or why potential employees turn down job opportunities in the organization for other job areas while few sampled employees (2, 16.67%) had it that the organization sought to know why current employees were still in the organization and only 4 (33.33%) of the sampled employees said that they gathered information on why new employees joined the SACCO.

**IV. CONCLUSION**

The purpose of the study was to establish the influence of knowledge management as a tool for employee retention by SACCOS in Murang’a County. The study established that the knowledge management practices that were largely in operation in the SACCOS in Murang’a County were documenting of knowledge, experienced staff sharing information with less experienced staff and communication and values. These factors reduced employee turnover and consequently reduced turnover.

**V. RECOMMENDATIONS**

The following were the recommendations that came out of the study.
Since the study established that phased and job rotation were largely not practiced in the SACCO, then the study recommends that the organization introduces them in their policies and practices.

Since the study found that sharing of information and effective communication between the SACCCO administration and the employees reduced employee turnover and consequently improved retention of employees. The study therefore recommends that this practices be adopted not only in the SACCCOS but also in other organizations.

VI. SUGGESTION FOR FURTHER STUDY

The following topics were suggested for further study:

In Kenya, there is scarcity of jobs and this could be a reason why the SACCCOS had high staff retention. Since the employees may be in the job not because of the fact that the knowledge management practices keep them there but because there is no alternative due to scarce employment opportunities. Future studies should do the same study but adjusting the findings with the influence of job scarcity in the country.

Since the study was done in an urban setting, future researchers should do the same research in the rural setting as well. This is because the socio – economic factors in the rural areas are different from the urban areas.

The same study should be conducted in other sectors other than the services sectors. Such sectors include the industrial sector and the goods sector. These results will be necessary for comparison purposes.

REFERENCES