

**THE INFLUENCE OF LEADERSHIP ON KNOWLEDGE MANAGEMENT
AND ORGANIZATIONAL INNOVATION IN COMMERCIAL BANKS IN
KENYA**

By

GACHOKA MONICAH. WANJIRU

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DECLARATION

This Research Project is my original work and has not been presented in any other University for a degree.

Signed _____ Date _____

Monicah Wanjiru Gachoka

D61/85551/2016

This Research Project has been submitted for examination with my approval as the University Supervisor.

Signed _____ Date _____

Prof. Jackson, K. Maalu,

Department of Business Administration,

School of Business,

University of Nairobi

DEDICATION

I dedicate this work to my whole family and especially to my parents James Gachoka and Hannah Gachoka and to my son Carl Jimmy Gachoka for their overwhelming support during the duration of this programme.

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ABSTRACT

This research was founded on the view that leaders can increase the levels of organizational innovation through leveraging of knowledge resources. This study aimed to contribute by focusing on how knowledge can be utilized to improve innovation. Knowledge management practices were considered to explain the numerous innovations in the banking industry in Kenya. The goal of this study was to determine how leadership influences the association between knowledge management practices and organizational Innovation. The study was anchored on two theories: knowledge-based theory and upper echelons theory plus the full range leadership model. A descriptive cross-sectional survey design was chosen for the study. The study surveyed 39 commercial banks which are currently operating in the country. Primary data was collected and analyzed using descriptive statistics and ordinal regression. The study findings established that leadership had a significant moderating impact on the association between knowledge management and organizational innovation. The study has made a theoretical contribution by connecting the theoretical views into a combined framework. Further, it supports the theoretical view that the efficient utilization of knowledge resources empowers organizations to achieve better results. Policy makers can use these findings to initiate and implement viable support strategies for the banking industry in Kenya. The study makes a vital contribution to managerial practice as it provides the leaders in various industries with a way to grow their innovation capacity. Cross sectional research, design adopted has the limitation of collecting data at a point in time as opposed to over a long period. Future researchers can consider a longitudinal research design to examine the influence of leadership on knowledge management and organizational innovation to establish causal relationships.

ABBREVIATIONS AND ACRONYMS

ATM	Automatic Teller Machine
BFID	Banking Fraud and Investigation Department (BFID)
BSD	Bank Supervision Department
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CR	Contingent Reward
ERP	Enterprise Resource Planning
HR	Human Resources
IC	Individualized Consideration
ICT	Information and Communications Technology
IM	Inspirational Motivation
IQR	Inter Quartile Range
IS	Intellectual Stimulation
IT	Information Technology
KBA	Kenya Bankers Association
KBT	Knowledge Based Theory
KCB	Kenya Commercial Bank
KM	Knowledge Management
LISREL	Linear Structural Relations software
MLQ-5X	Multifactor Leadership Questionnaire
RBT	Resource Based Theory
UE	Upper Echelons
SPSS	Statistical Package for Social Sciences
VTM	Video Teller Machine

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Steady growth in business performance is contingent on sustained innovation in products, services, processes, marketing and organizational structure (Jung, Chow, & Wu, 2003; Mumford, 2003). The firm through knowledge management is able to develop unique organizational capabilities, which it translates into innovative processes, products, or services (Drucker, 1993). A firm's potential to generate innovations is shaped by leaders who create an environment that promotes successful exploration and exploitation of knowledge (Correaa, Moralesb & Pozob, 2007).

The concept being examined is founded on the knowledge-based theory and upper echelons theory. The knowledge-based theory is premised on the resource-based theory of the firm, which focuses on the proper utilization of strategic resources to generate a profitable advantage (Barney, 1991). Consequently, knowledge is viewed as the main strategic resource, which enables an organization to create monetary, societal, intellectual and cultural benefits (Zack, Mckeen, & Singh, 2009). The essence of upper echelons theory is that firm performance is determined by the strategic choices that it implements and that executives make these choices based on their understanding of the strategic situations facing them (Filkeinstein & Hambrick, 1987).

To remain competitive, commercial banks need to be innovative in their current management practices, operations, marketing approaches and in their products and services. Commercial banks in Kenya have embraced organizational innovation due to technological advancements, a changing regulatory framework and as a response to the shifting business environment (Central Bank of Kenya, 2016). Systems for

expanding and managing knowledge deposits in the sector are therefore vital for continued innovation and competitiveness (Corno, Reinmoeller & Nonaka, 1999).

1.1.1 Knowledge Management, Innovation and Leadership.

Institutional knowledge is defined as a sum of ideas, logic, perception and expertise pertaining to technology, products, procedures, clients, markets, and business rivals among others that facilitates productive action (Pillania, 2004). Knowledge management (KM) is a methodical, structured, specific and intentional continuous procedure of generating, distributing, utilizing, recreating and upgrading knowledge within an organization in order to attain its objectives (Pillania, 2004). Knowledge is viewed as major organizational resource and KM as crucial for attaining prolonged competitiveness (Barney, 1991; Nonaka & Takeuchi, 1995; Grant, 1996). According to Bollinger and Smith (2001), KM is concerned with taking advantage of a strategic resource through sharing and working together.

There are two types of organizational knowledge; explicit/specific and implicit/tacit knowledge (Polanyi, 1967). Specific knowledge is actual knowledge, which is formal in nature and easy to access for organizational use while tacit knowledge refers to the personal experience and individuals knowledge in an institution making it hard to formalize or share (Nonaka & Takeuchi, 1995). Organizations have both formal (planned) and informal knowledge procedures that occur concurrently to generate the knowledge that promotes organizational learning (Argote, McEvily & Reagans, 2003). Success in knowledge management is hinged on the capacity of all employees to enrich key business procedures by the creation, dissemination, organization, and combination of specific and implicit knowledge deposits (Nonaka & Takeuchi, 1995). The firm has access to internal and external knowledge, which it combines through

knowledge management to create new knowledge that is difficult to imitate hence giving it long lasting advantages (McEvily & Chakravarthy, 2002).

Knowledge management within an organization is broadly classified into exploration and exploitation activities. Exploration activities are concerned with acquiring the latest knowledge to address the needs of the institution, while exploitation activities entail utilizing existing knowledge (Grant, 2002). Knowledge management in an organization can be approached in two ways viz., the personalization and the codification/systematization approach (Hansen, Nohria, & Tierney, 1999). Personalization of knowledge involves creating an environment that brings employees together to enable them to share the knowledge they possess through networks, training, job rotation, teams and committees among others. Codification is the management of knowledge using technology and involves the setting up of systems that facilitate its exploration and exploitation (Hansen et al. 1999).

Innovation is the effective execution of ingenious ideas by an organization (Amabile, 1983). Innovation is the initial launch of a novel product, process or system (Schumpeter, 1934). It is the inclination of a firm towards inventing modern and advanced goods and services for supply to the market to gain success (Gumusluoglu & Ilsev, 2009).

The Oslo Manual, (2005) lists several types of innovation. The launch of novel or enhanced goods is known as a product innovation. The application of new or improved operating procedures is known as a process innovation. A marketing innovation aims at growing the organization's sales through the administration of new marketing approaches to address customer expectations, reposition products on the market or venture into unexplored markets. The shift to new methods of management

is known as administrative innovation (Oslo Manual, 2005). Incremental innovation involves the modification and improvement of current services, goods and operating procedures. Radical innovation is the introduction of products that create new values and may affect a whole industry significantly (Gaynor, 2002).

Geroski, Machin, and Van Reenen (1993) found that the degree of innovation directly and indirectly affected profits and firm performance. Further studies on innovation and firm performance suggest that innovations enable firms to embrace new technologies (Cohen & Levinthal, 1990), effectively cope with environmental changes (Tushman & O'Reilly, 1997), and devise better strategies (Dean & Sharfman, 1996).

Leadership is described as a process through which an individual exerts deliberate influence over others to direct, organize and further organizational actions and relationships (Yukl, 2002). Leadership occurs when an individual guides a group towards the attainment of a common goal (Hemphill & Coons, 1957). Leadership is concerned with communicating visions, incorporating values, and developing a conducive environment for the attainment of organizational goals (Richards & Engle, 1986). A leader is able to influence, inspire, and empower organizational members to work towards organizational effectiveness and success (House, Hanges, Ruiz-Quintanilla, Dorfman, Javidan, Dickson & Gupta, 1999).

The aim of effective leadership is to influence the organization at the personal, group and organizational levels and beyond the organization's boundaries (Bolden, 2004). Effective leadership at an individual level is demonstrated through outcomes such as, increased productivity, enhanced knowledge and skills, better communication, strategic thinking and better self-enlightenment. At the group level, the fruits of

effective leadership are enhanced communication, inspiration and team spirit. At the organizational level, the motive is to improve organizational effectiveness. Beyond the organization's boundaries, economic, social and environmental impacts can be realized (Bolden, 2004).

Scholars have recognized knowledge and knowledge management as the key to innovation (Weisberg, 1999) as it allows organizational members to work with available organizational knowledge, use their expertise and connect with each other through sharing to solve complex, novel problems that call for creative thought (Reeves & Weisberg, 1999). Leaders have an effect on institutional factors such as policy, culture, organizational design, compensation, resources among others (Woodman, Sawyer, & Griffin, 1993). The leaders' behavior in facilitating knowledge management through these institutional factors can have a beneficial impact on performance including innovation (Lakshman, 2007). An organization's leadership should therefore ensure that appropriate knowledge management processes and structures that support the kinds of innovations the organization is aiming for are put in place. (Stamm, 2009).

1.1.2 The Banking Industry in Kenya

The commercial banking industry in Kenya has forty-two institutions made up of three government owned and thirty-nine privately owned banks. Locals own 24 private banks while foreigners own 15 (CBK, 2017).

According to the Central Bank of Kenya (2017), the banking industry has a total net asset base of Ksh.4.0 trillion is characterized by high profits. The report further reveals that changes in customer needs and technological advancements have led to the introduction of new products, expansion of existing ones, and addition of new

delivery channels. The adoption of alternative cost effective distribution avenues like mobile banking, online banking and agency banking have led to improved efficiency within the banks. This has led to the following developments in 2016; a reduction in banking staff by 6.95%, a reduction in the number of bank branches across the country, reduced ATMs and an increase in customer deposits by 4.8% (CBK, 2016).

The Central bank of Kenya's annual report (2016) indicates that in 2016, banks presented over 70 applications to CBK requesting permission to initiate charges to new products. Majority of the applications aimed to launch mobile phone banking services in associations with information technology (IT) companies. A good example is the application by 15 banks to launch Pesalink, a cheaper money transfer platform led by Kenya Bankers Association (KBA) that will enable bank customers to carry out interbank money transfers using mobile phone, internet, Automatic Teller Machines (ATM's), bank agents and branches. Another notable development is the continued partnership between banks and telecommunication companies in offering micro-loan and micro-savings products giving customers easy access to these services.

The Banking Fraud and Investigation Department (BFID) at the central bank has reported an increase in cases of ICT related frauds such as cyber-crime and other cases relating to online and mobile banking in recent years. There is need therefore for the banks to ensure that increased use of computer-based transaction process is matched with effective controls (CBK, 2016).

1.2 Research Problem

Organizations in the present world need to grow their level of creativity and innovation to excel, grow, compete and prevail (Jung et al., 2003). This is because of

rapid changes in technology, markets, and competitive pressures which have worked together to push the need for innovation (Mumford, Scott, Gaddis, & Strange, 2002b). The ability to manage innovation and creativity is the key to organizational effectiveness (Woodman et al., 1993). The capacity for innovation can be found mainly within the realm of the individual and the aggregate organizational knowledge. Therefore, the knowledge reservoir of the organization determines the type and degree of innovation possible. Organizations with effective knowledge management systems will be more successful in their knowledge exploitation activities leading to more organizational innovation. It is therefore crucial that the leaders' role in enhancing organizational innovation through promoting knowledge management practices is well understood.

The commercial banking industry in Kenya has experienced widespread changes necessitated by shifting consumer needs, modern financial products, technological development and the use of several delivery channels (CBK, 2016). To match these conditions, banks need to employ effective knowledge management practices that promote innovation. The task of bank leaders then is to grow the capacity of employees to innovate by creating a climate where knowledge management is embraced across the whole organization (Kouzes & Posner, 1993).

Costa and Monteiro, (2016) reviewed current literature on KM processes and different types of innovation where conclusion indicated that knowledge management processes can directly promote innovation. This study was not empirical; it was broad in nature and did not examine the role of leadership on the relationship. Nouri, Mousavi and Soltani (2016) analysed how transformational leadership and KM affected organizational innovation in an Iranian University. A direct association

between knowledge management and institutional innovation was established, with transformational leadership having a direct impact on both. The current study sought to investigate the Full Range Leadership Model as opposed to only one aspect of the model. Donate and Guadamillas (2011) established that knowledge management practices positively influence organizational innovation and that culture, leadership and human resource practices that are centered on knowledge have a moderating effect on this relationship. Their study focused on 111 Spanish companies in different innovative industries where as this study concentrated on one industry.

An examination of past studies done showed that most researchers focused on the connection between KM and general firm performance, KM and organizational innovation, leadership and KM and leadership and organizational innovation. There has been little actual evidence showing the influence of leadership on knowledge management and organizational innovation particularly in an emerging economy like Kenya and within the suggested context of the highly innovative commercial banking industry hence the study.

1.3 Research Objective

The aim of this investigation was to establish the influence of leadership on knowledge management and organizational innovation within the banking industry in Kenya.

1.4 Value of the study

This survey will be valuable to the banking sector and other industries that want to promote organizational innovation, as it will contribute new insights on how to take advantage of the knowledge resource and empower them to grow their leadership

skills. This will lead to more entrepreneurial activities, new product success, new process success, marketing innovation and greater administrative innovation.

The results of this study will improve policy makers' understanding of knowledge management and innovation needs of banking institutions in Kenya, which can guide them in formulation of sound support strategies. This study is invaluable to the Central Bank of Kenya and especially the Bank Supervision Department (BSD) within CBK in policymaking. Kenya Bankers Association would also benefit from this study as it carries out its role of promoting the banking industry's development.

This examination aimed to validate the significance of KM practices in achieving institutional innovation. The findings of this investigation will therefore give other researchers a foundation for empirical tests, replication and improvement in theory validation.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter traces the academic structure anchoring knowledge management, innovation and leadership and tries to find a fit between these concepts and the related theories. The chapter also submits a review of literature on the research variables to cover the gaps in knowledge management and innovation. The chapter ends by presenting knowledge gaps which the study intends to address.

2.2 Theoretical Basis of the Study

Extant literature proposes several theories to espouse the present study variables. The study therefore draws from the Knowledge Based Theory (Grant, 1996), Upper Echelons Theory (Hambrick & Mason, 1984) and The Full Range Leadership model (Burns, 1978). The study will develop a framework by combining the theoretical views to offer an improved outlook of the role of leadership on knowledge management and organizational innovation.

2.2.1 Knowledge Based Theory of the Firm

The knowledge based theory views knowledge as a significant driver of individual and organizational productivity (Grant, 1996) and portrays organizations as reservoirs of knowledge and competences, which are converted into profitable products and services in line with market needs (Kogut & Zander, 1992). The theory submits that institutions that own, organize and harness their knowledge resources more efficiently than their rivals will most likely achieve better results (Lindblom & Tikkanen, 2010). An institution's knowledge deposits and associated capabilities are therefore viewed as critical resources as they are the keys to better processes and products (Barney, 1991).

The efficient creation, transfer and transformation of knowledge into competitive advantage is an integral part of the organization (Kogut & Zander, 1992). The major premise of this theory is that privately held knowledge i.e. implicit knowledge is a probable source of continuous advantage due to difficulty in copying (Barney, 1991). Unlike conventional factors of production, knowledge is seen as a special strategic resource that can generate growing returns as it does not depreciate but rather grows when it is well-utilized (Curado, 2006; Grant, 1996).

An institution's success and competitiveness is dependent on its capacity to harness its knowledge resources, (Drucker, 1993). The optimal utility of knowledge resources is achieved when they are managed through appropriate, easy to understand systems, mediums and initiatives aimed at advancing the growth of strategic knowledge resources (Schiuma, 2012). This enhances institutional effectiveness as it affects its capacity of creating value for its stakeholders (Schiuma, De Pablos, & Spender, 2007).

Knowledge equips individuals with the ability to tackle challenges and solve problems (Von Krogh, Ichijo & Nonaka, 2000). Individuals hold a substantial amount of organizational knowledge but it can become rooted within the organization as it is shared (Grant, 1996). Knowledge combinations among individuals, groups, and organizations make up collective knowledge, which is unique and crucial to a firm's success (Spender, 1996b). Proper coordination and cooperation among persons and groups in the firm are therefore the keys to optimal exploration and exploitation of knowledge (Kogut & Zander 1996).

2.2.2 Upper Echelons Theory

The upper echelons (UE) theory revolves around the premise that executives' construe the circumstances they are facing based on their experiences, values, and personalities, which in turn, affects their decisions (Hambrick & Mason, 1984). According to Hambrick (2007), top executives are responsible for devising and executing organizational strategies giving them a substantial influence over the structure and performance of their specific organizations thereby making managerial talent an important organizational resource.

The theory is built on the presumption of bounded rationality, the notion that in decision-making, the rationality of individuals is constrained by their knowledge, their limited perception, and the limited time available to make the decision (March & Simon, 1958). Hambrick and Filkeistein (1987) assert that top-level executives have a substantial role in the development and execution of organizational strategies thereby affecting organizational performance. To comprehend the strategic choices that organizations pursue and their associated performance, the tendencies of their top executives must be considered.

Hambrick and Mason (1984) studied the proposal that attributes of top-level executives determine how the organization is structured and how it performs. These characteristics include managerial values, cognitive dispositions, age, track record, academic qualifications and socio-economic background. In their study, Thomas and Ramaswamy (1994) concluded that a match between managerial traits and firm strategies lead to better firm performance as opposed to inappropriate matches. It is therefore reasonable to presume that the practice of knowledge management practices within an organization and the level of organizational innovation are dependent upon

the type of leaders in the organization and the characteristics they possess including their level of knowledge.

2.2.3 Leadership Theories

Initial leadership studies concentrated on the qualities of leaders, traits of followers and the specifics of the situation (Bryman, 1992). Trait theories highlight the personal attributes of leaders such as character, intelligence and physical factors that differentiate them from non-leaders (Bryman, 1992). The style/behavior approach moved the focus of leadership research to effective leadership behaviors, which can be applied to produce results (Bryman, 1992). The situational or contingency approach proposes that leadership is dependent on the situation at hand, as different situations require different approaches for successful implementation (Fiedler, 1964). The path-goal theory centers on how leaders can inspire their juniors to achieve higher work unit performance by setting up clear goals, reducing roadblocks and matching these with personal payoffs for goal attainment (House, 1971).

The Full Range of Leadership model consists of four leadership styles, which are transformational, transactional, active management by exception and passive/avoidant leadership (Bass & Avolio, 1991). Transformational leadership has four substantial features: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass & Avolio, 1994). Idealized influence/charisma refers to qualities in the leaders, which enable them to be viewed and accepted as role models by their followers. These include great moral principles and provision of direction through a clear vision leading to respect and admiration from the juniors. Inspirational motivation is the ability of a leader to stimulate and inspire subordinates to higher standards of performance is known as. Through intellectual stimulation, a

leader encourages employees to be critical thinkers tackling issues from many different perspectives in order to develop better solutions to current and future challenges. Through individualized consideration, a leader cares for employees at a personal level, is empathetic towards them and provides individual support as necessary (Bass & Avolio, 1994). In transactional leadership, the leader sets objectives and specifies the rewards associated with the attainment of said objectives. Active management by exception is concerned with maintaining current performance levels by monitoring and taking corrective action whenever deviations occur. Passive-avoidant leadership avoids responsibility and decision making all together (Bass & Riggio, 2006).

2.3 Empirical basis of the Study

There is substantial evidence of the direct connection between KM and innovation, leadership and KM and leadership and innovation. However very few studies were found linking leadership, KM and innovation. Locally KM scholars have mostly focused on KM and institutional performance, KM and operational excellence and KM strategy and organizational change. Darroch (2005) analysed the connection between KM, innovation and firm performance. Data were gathered from Chief Executive Officers (CEOs) from firms with 50 or more employees from various industries using mail survey questionnaires. Out of 1,743 surveys mailed out, 443 were returned and usable. Empirical evidence from this study demonstrated knowledge management as an integrating mechanism that enables firms to use resources better, innovate more and have better performance.

Inkinen (2016) through a systematic review of empirical literature examined 30 articles to determine how knowledge management based leadership and

organizational practices relate to firm performance. The findings demonstrated that the application of KM practices is necessary for innovation. Particular leadership behaviors and firm structures were found to help organizational performance. Lakshman, (2007) analyzed 37 in-depth interviews of CEOs from various business publications. The study combined deductive and inductive approaches in order to establish the main role of top executives of organizations with regard to knowledge management. The results revealed that leaders who valued knowledge management, implemented knowledge management activities that served to maximize organizational effectiveness.

Donate and Guadamillas (2011) studied organizational variables such as culture, leadership and human resource practices that promote knowledge management and innovation in 111 innovative Spanish companies. Their findings suggested that a culture, leadership and HR practices, which are pivoted on knowledge, moderate the connection between knowledge exploration and exploitation activities and innovation.

Nouri et al. (2016) investigated the role of transformational leadership and KM processes on organizational innovation in a University in Iran. Statistic population of this research consisted of all managers, employees, and faculty members of the university. For data analysis, structural equation modeling and LISREL software were used. Transformational leadership had a direct influence on KM and institutional innovation. Moreover, the influence of KM on institutional innovation was positive.

2.4 Summary of Literature Review

Darroch (2005) established a positive connection between KM, innovation and firm performance. Donate and Guadamillas (2011) demonstrated that when certain

enablers like culture, leadership and human resource practices focus on knowledge, the firm's innovation capacity could be exploited more effectively.

The study by Inkinen, (2016) demonstrated that the application of KM practices is an important enabler for innovation and that certain leadership attributes and organizational structures were found to support firm performance. Lakshman (2007) found out that leaders, who valued knowledge management, implemented the same for organizational success. Nouri et al. (2016) established that transformational leadership influences knowledge management and institutional innovation directly.

In summary, there is considerable theoretical backing for the linkage between KM practices and innovation, leadership and KM and KM and innovation. Empirical studies connecting the three concepts however have been very few across the world with none carried out locally or within an African context. The studies have also focused a lot on technology companies and none on the banking industry. This study therefore focused on the entire commercial banking industry in Kenya and is an opportunity to extend theory by examining the interconnectedness of the three concepts.

CHAPTER THREE: RESEARCH METHODS

3.1 Introduction

This chapter lays out the method followed during the research. It describes the plan of the research, the intended population, tools for gathering data and analysis techniques chosen. It also presents a justification for the selected methodology.

3.2 Research Design

This investigation embraced a descriptive cross sectional research plan, which entailed the collection of data relating to knowledge management practices, innovation and leadership in banking institutions in Kenya at a point in time (Cooper & Schindler, 2014). This design was chosen, as it is appropriate for providing answers concerning the level of knowledge management and innovation across the industry to enable comparison across the population (Cooper & Schindler, 2014). The design was helpful in describing the characteristics of the selected variables that is innovation and knowledge management (Sekaran, 2007).

Cross-sectional survey is a deductive approach, which sought to explain causal relationships in this study. The design allowed the data collected to be subjected to statistical analysis to ascertain whether the variables were connected.

3.3 Population of the Study

The study population was composed of all banks presently operating in Kenya. There were 42 commercial banks in Kenya consisting of thirty-nine operating banks and four non-operating banks due to reasons such as being on receivership, statutory management and acquisition. This is according to the 2017 Bank Supervision annual report from the Central bank of Kenya, which is the regulatory authority in charge of

the banking industry in the country hence; a reliable source of information on Kenya's banking industry structure and composition. This research concentrated on the thirty-nine operating. The census was done due to the small number of total banks and also to enhance the dependability of the results in a segment where industry practice could be different among the various banks (Cooper & Schindler, 2014).

The study looked at the banking industry in Kenya, a crucial industry, to gain insight on their knowledge management and innovation activities. This was a step away from previous studies which have paid attention to technology companies most of them in developed nations.

3.4 Data Collection

Primary data was gathered using prepared questionnaires adopted from KM, innovation and leadership studies with revisions directed towards addressing the goals of the present research. A sample questionnaire is attached as (Appendix 1). The targeted respondents were chief executive officers, managers in charge of innovations/new products and services, operations managers and line managers. Managers are considered knowledgeable informants about the issues being explored and therefore a source of reliable information.

The questionnaires were meted out using the drop and pick approach or sent by e-mail depending on the preference of the respondents. A modified 5-scale Likert type questionnaire was used for data collection. This was to reduce the incompleteness of answers from respondents and to achieve high dependability and variance (Stennet, 2002).

To recognize the knowledge management practices applied by Kenyan banks, questions were divided into four sections viz: knowledge acquisition, storage, dissemination and knowledge exploitation. To rate the level of organizational innovation within commercial banks, the questionnaire was intended to give feedback in the areas of product, process, marketing and administrative innovations. To investigate the style of leadership in place in a particular bank the Multifactor Leadership Questionnaire (MLQ-5X) by Avolio, Bass, and Jung (1999) was adopted.

3.5 Data Analysis

Data analysis for the study involved cleaning, editing and coding of the data. Data was analyzed using descriptive statistics. To summarize the data, the mean score was used. Ordinal regression was performed using PROCESS macro for mediation, moderation and conditional process analysis for SPSS. This is because the data collected was ordinal in nature and PROCESS macro is designed to calculate moderation effects for ordinal data. Ordinal data is ranked data where the actual distance between categories is not known.

To determine the level of knowledge management practices employed by the banks, a computation of the mean score was done for the four practices that make up KM. A mean score for the four practices was then obtained to show what on average the respondents practiced. To determine the extent of innovation in the surveyed banks, the mean score for product, process, marketing and administrative innovations were calculated and an overall mean for organizational organization obtained.

The type of leadership style being practiced in the various banks was identified using the mean score for each style of leadership in the full range leadership model. The mean score for transformational, transactional, active management by exception and

Laissez faire leadership items were then used to obtain the mean for organizational leadership.

Ordinal regression was done using PROCESS macro for SPSS to establish the influence of leadership on knowledge management and organizational innovation. R square statistic was used to evaluate the variations in the model that were due to the interaction effects between leadership and knowledge management. P values were used to determine the statistical significance of the effect of leadership on the relationship between knowledge management and organizational innovation.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter intends to give the analyzed results of the data that was gathered during the descriptive cross sectional survey of commercial banks. Data was collected from 28 banks out of the targeted 39 banks that are currently operating in the country. This is equivalent to a response rate of 71.79%, which is deemed as an excellent response rate and therefore adequate for data analysis. (Mugenda & Mugenda, 2003).

4.2 Knowledge Management in Commercial Banks in Kenya

An organization that manages its knowledge resources effectively through exploration and exploitation activities is able to create more value for all its stakeholders. The goal of this section of the survey was to establish the degree to which knowledge management practices were employed by banks in Kenya. To realize this objective, questions were divided into; knowledge acquisition, storage, dissemination and exploitation. The responses to the questions posed in the four sections were all used to construe the extent of knowledge management practiced by Kenyan banks. The findings on knowledge management were as submitted in Table 4.1.

Table 4.1: Summary of Descriptive Statistics for Knowledge Management

	N	Mean	Std. Deviation
Knowledge acquisition	28	4.1306	0.9294
Knowledge storage	28	4.0857	0.94776
Knowledge dissemination	28	4.0097	1.02229
Knowledge exploitation	28	4.1021	0.89666
Total		4.082	0.94903

Source: Research data, 2018

The findings in Table 4.1 show that the mean rating for knowledge management varied from 4.0097 to 4.1306. This implied that commercial banks in Kenya embraced knowledge management practices to a large extent. The highest divergence of opinion was demonstrated in knowledge dissemination with standard deviation of 1.02229 while knowledge exploitation had the lowest divergence of opinion with a standard deviation of 0.89666.

The mean score for knowledge acquisition practices stood at 4.1306 an indication that the banks have put in place robust knowledge acquisition practices which enable them to generate knowledge that meets their needs. On knowledge storage, the findings indicate that the respondent banks had put in place good knowledge storage practices evidenced by a mean score of 4.0857. This enables them to grow, protect and utilize their knowledge bases to achieve their goals. The findings on knowledge dissemination indicate that majority of the banks have put in place robust knowledge dissemination tools as evidenced by the mean score of 4.0097. This ensures that organizational knowledge is available at the point of exploitation through sharing. The findings on knowledge exploitation indicate that on average the banks have put in place good knowledge exploitation tools as evidenced by the mean score of 4.1021 for the surveyed items.

4.3 Innovation in Commercial Banks in Kenya.

This section of the research intended to demonstrate the extent of organizational innovation that has been implemented within Kenyan banks in the last fifteen years. The different kinds of innovation for the purpose of the study were categorized into: product/service, process, marketing and administrative innovations. The findings for organizational innovation were as outlined in Table 4.2.

Table 4.2: Summary of Descriptive Statistics for Organizational Innovation

	N	Mean	Std. Deviation
Product and Service Innovation	28	4	0.94803
Process Innovation	28	4.2322	0.84802
Marketing Innovation	28	3.9465	0.95766
Administrative Innovation	28	4.125	0.86567
Total		4.0759	0.90485

Source: Research data, 2018

On organizational innovation, process innovation had the highest mean rating of 4.2322. This implies that commercial banks have implemented new or significantly improved delivery methods thereby decreasing costs, processing time and risk while adding value to the organization. The findings on product and service innovation show that on average the banks have been highly innovative in their products and services as evidenced by the mean score of 4.00. This implies that the development of new products for existing or new markets by commercial banks in Kenya is extensive and in line with the organization's goal of creating superior value for its stakeholders. The mean score for marketing innovation stood at 3.9465 implying that commercial banks applied robust marketing innovation practices and had ventured into new markets to a large extent thereby adding value to their customers as well as growing the banks' market share. The findings on administrative innovation show that on average the banks have been highly innovative in their administrative procedures as evidenced by the mean score of 4.125. Effective administrative procedures and organizational design are critical for the smooth implementation of various organizational strategies.

The overall findings for organizational innovation show that commercial banks have a wide understanding of organizational innovation and have put in place various structures to enable them pursue this objective. The highest differences in opinion

were demonstrated in marketing innovation with a standard deviation of 0.95766 while process innovation had the lowest standard deviation of 0.84802.

4.4 Leadership in Commercial Banks in Kenya

Leaders determine an organization's success through the strategic direction that they choose and how they execute its vision. This section of the research aimed to establish the types of leadership that are in use in the respective Kenyan banks. To actualize this goal, the Full Range of Leadership Model (FRLM) which consists of transformational, transactional, active management by exception and passive/avoidant leadership styles was adopted.

Table 4.3: Summary of Descriptive Statistics for the Full Range Leadership Model

	N	Mean	Std. Deviation
Transformational Leadership	28	4.2248	0.84284
Transactional Leadership	28	3.9166	1.11634
Active management by exception	28	2.5179	1.16861
Laissez faire Leadership	28	1.5816	0.8631
Total		3.0602	0.99772

Source: Research data, 2018

Among the four types of leadership, transformational leadership had the highest average rating of 4.2248 as shown by table 4.3 above. This means that most leaders in commercial banks in Kenya are transformational role models with high moral standards and values who motivate their subordinates towards the attainment of the banks' goals. At a mean of 3.9166, the findings on transactional leadership items show that on average the banks' leaders demonstrate this practice towards their subordinates to a large extent. The clear definition of the roles and objectives of subordinates by their leaders ensures consistent improvement in performance.

On active management by exception style of leadership, leaders actively monitor their subordinates' performance and take corrective action to avoid errors. The items surveyed in this section had a mean score of 2.5179 indicating that on average the banks' leaders demonstrate this practice towards their subordinates to a small extent.

Laissez faire leadership had the lowest mean score of 1.5816 indicating little existence of this type of leadership. This means that on average, the banks' leaders do not take a hands-off approach to their role.

Active management by exception leadership had the highest standard deviation of 1.16861 while transformational leadership had a standard deviation of 0.84284. Low standard deviation shows that there was more agreement among the respondents while high standard deviation shows disparity among respondents.

4.5 The Effect of Leadership on the Relationship between Knowledge Management and Organizational Innovation.

The purpose of this research was to establish the effect that leadership has on knowledge management and organizational innovation in the banking industry in Kenya. To operationalize this objective, regression was performed using PROCESS macro for mediation, moderation and conditional process analysis for SPSS. This is because the data collected was ordinal in nature and process macro is designed to calculate moderation effects for ordinal data.

A moderator is a variable that affects how an independent variable is related to a particular outcome. The moderator interacts with the independent variable and causes a change in the direction or magnitude in the relationship between two variables, which could be positive, buffer or antagonistic (Kim, Kaye & Wright, 2001).

To measure how leadership moderates the association between KM and organizational innovation, a hierarchical regression analysis was used to establish the change in statistical parameters and the significance of the models. The regression results of knowledge management and organizational innovation as moderated by leadership are presented in Table 4.4.

Table 4.4: Model Summary Showing the Effect of Leadership on Knowledge Management and Organizational Innovation.

R	R square	MSE	F	df1	df2	Sig. F Change
.8841	.7817	.1285	28.6472	3.0000	24.0000	0.0000

Source: Research data, 2018

Overall Model: $F(3, 24)=28.6472, p<0.05, R^2=.7817$

The model explains 78.17% of the variation in organizational innovation. The regression model was statistically significant at, $p=0.000$. The calculated p-value was less than 0.05, which led to the conclusion that leadership has a statistically significant impact on the association between Km and organizational innovation.

Table 4.5: Model Coefficients and Interaction Effects between Knowledge Management and Leadership

	coeff	se	t	p	LLCI	ULCI
constant	5.1793	2.2821	2.2695	.0325	.4691	9.8896
Knowledge	-.4477	.5883	-.7610	.4541	-1.6618	.7665
Leadership	-1.5899	.7911	-2.0098	.0558	-3.2228	.0429
Interaction_1	.4438	.1999	2.2201	.0361	.0312	.8565

Product terms key: Interaction 1 Knowledge x Leadership

Source: Research data, 2018

The results presented in table 4.5 show a significant interaction effect between leadership and knowledge management. This is because zero does not lie between the upper confidence interval and the lower confidence interval meaning that leadership

has a significant moderating influence on the association between KM and organizational innovation. Based on the regression results, the variables can be explained as follows:

Predictors: Knowledge management $b = -.4477$, $t(24) = -0.7610$, $p = .45$ –insignificant

Leadership $b = -1.5899$, $t(24) = -2.0098$, $p = .0558$ insignificant

Interaction $b = .4438$, $t(24) = 2.22$, $p = 0.0361$ significant

Table 4.6 Conditional Effects of the Focal Predictor at Values of the Moderator(s)

Leadership	Effect	se	t	p	LLCI	ULCI
2.5249	.6730	.1261	5.3361	.0000	.4127	.9333
3.1415	.9467	.1127	8.3999	.0000	.7141	1.1793
3.4984	1.1051	.1573	7.0265	.0000	.7805	1.4297

Source: Research data, 2018

Table 4.6 shows the conditional effects of different levels of leadership on the association between KM and organizational innovation. When leadership is at a low of 2.5249, the interaction effect is significant. This is because zero does not lie between lower confidence interval of 0.4127 and the upper confidence interval of 0.9333. When leadership is at a high of 3.4984, the interaction effect is significant because zero does not lie between the lower confidence interval (0.7805) and the higher confidence interval (1.4297). This means that the moderating influence of leadership on the association between Km and organizational innovation is significant at minimal, average and superior levels of leadership.

The following equations can be written from the regression results, to explain the moderating effect at below average, average and above average levels of leadership as follows:-

Below average leadership-Km $(b) = 0.1261, t(24) = 5.3361, p = 0.0000.$

Average Leadership-Km $(b) = 0.1127, t(24) = 8.3999, p = -0.0000.$

Above average leadership- Km $(b) = 0.1573, t(24) = 7.0265, p = 0.0000.$

At below average leadership, there is a significant association between the variables meaning that for every unit improvement in leadership, there is a 0.1261 increase in organizational innovation. At average leadership, there is a significant connection between the variables meaning that for every unit improvement in leadership, there is a 0.1127 increase in organizational innovation. There is a significant association between the variables at above average leadership meaning that for every unit improvement in leadership, there is a 0.1573 increase in organizational innovation.

4.6 Discussion of Findings

The current study findings reveal that leadership has a statistically significant moderating influence on the relationship between knowledge management and organizational innovation. This means that banks should have good leadership that ensures proper knowledge utilization thereby unlocking their innovation potential.

Previous empirical literature confirms that knowledge-oriented leadership has a moderating effect on the association between knowledge exploration and exploitation practices and innovation results in organizations (Donate & Guadamillas, 2011). They recommended the establishment of enablers such as good leadership and human resource practices that promote KM and meet the increasing demands for more sophisticated products and services through innovation.

Schiuma, (2012) held that knowledge constitutes one of the basic parts of any firm and that proper management and development of this resource is at the center of business growth. This study confirms this assertion through the positive statistically significant moderating impact of leadership on the association between KM and organizational innovation. The study also agrees with Nickerson and Zenger, (2004) who hold that, leaders improve the organization's ability to produce efficiently by growing and exploiting their knowledge resources.

An important contribution of this finding is the theoretical support of upper echelons, which stresses the top managers' role in organizational performance. The theory holds that organizational performance is an expression of the values and cognitive bases of their leaders (Hambrick & Mason, 1984).

This study established that knowledge management is profoundly influenced by leadership to drive organizational innovation higher or lower. This finding filled the gap in knowledge in that whereas many studies concentrated on the direct influence of Km on organizational innovation, the current study explored the moderating role of leadership. The study also looked at four types of organizational innovation as well as the full range leadership model.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the study findings and the conclusions thereof. It will outline the implications of the study on theory, policy and practice and offer recommendations therein. The limitations encountered during the study are highlighted. Recommended areas for further research will also be identified.

5.2 Summary of the Findings

The current study aimed to establish the influence of leadership on the association between knowledge management and organizational innovation in commercial banks in Kenya. Moderation tests showed statistically significant effect of leadership on the relationship between KM and organizational innovation. This was revealed by the calculated $p=0.000$ for the overall model which was less than 0.05 hence statistically significant.

The findings also show a significant interaction effect between leadership and knowledge management. This is because zero did not lie between the upper confidence interval and the lower confidence interval meaning that leadership has a significant moderating influence on the association between knowledge management and organizational innovation. The moderation effect was also found to be statistically significant at below average levels of leadership, average levels and above average levels with each level having calculated $p = 0.0000$.

Overall, the model explains 78.17% of the change in organizational innovation with the remaining percentage being attributable to other variables not under study. The

study concluded that leadership has a statistically significant moderating influence on organizational innovation.

5.3 Conclusion

The moderating influence of leadership on the association between KM and organizational innovation was positive and statistically significant. This led to the conclusion that all styles of leadership in the full range leadership model can enhance or inhibit knowledge management in the organization depending on the type of leaders who are in office thereby affecting organizational innovation.

The study concludes that good leadership is imperative for optimal knowledge management to improve on organizational innovation, organizational effectiveness and growth. This gives new understanding of the moderating role of leadership on the association between knowledge management and organizational innovation.

Based on this finding, the study also concludes that knowledge is a fundamental resource bundle whose proper management is crucial for organizational innovation. This confirms the proposition of knowledge based theory that views knowledge as a significant driver of individual and organizational productivity.

Supported by these findings, the analysis concludes that for Kenyan banks to achieve higher levels of product, process, marketing and administrative innovation, synergy should be sought between leadership, knowledge management and organizational innovation.

5.4 Implications on Theory, Policy and Practice

This study has brought forth important findings that connect leadership, knowledge management and organizational innovation. The findings are applicable to strategic management theory, policy and managerial practice.

The study has contributed by connecting the theoretical ideas into a combined framework in order to give a better comprehension of the relationships between leadership, knowledge management and organizational innovation. In upper echelons view, organizational performance is seen as an expression of the values and cognitive bases of its leaders (Hambrick & Mason, 1984). The values and cognitive bases of subordinates also influence organizational outcomes. It is the leaders' responsibility to establish the necessary mechanisms that improve the subordinates' effectiveness. In leadership theories, the study has thus shed more light on the role that leaders play to enhance organizational innovation. When it comes to the knowledge based theory of the firm, little is known about how firms exploit knowledge (Kogut & Zander, 1996). This study contributed by empirically testing the influence of knowledge management in improving organizational innovation. This study made a theoretical contribution in support of upper echelons theory and knowledge based theory by clarifying how leaders can contribute to better knowledge management and organizational innovation.

This study contributed by empirically testing the effects of theoretically grounded constructs on organizational innovation. The study extends the frontiers of knowledge by connecting leadership, knowledge management and organizational innovation, into a conceptual framework, which was empirically tested. Knowledge management is still an emerging concept in strategic management thus; the study provides new

insights to scholars in this field. The findings of this research provide a basis for further empirical tests, replication and advancement in theory validation by other researchers.

Policy makers will benefit by understanding that leadership affects the association between KM and organizational innovation. They can develop viable support strategies for their industries by creating platforms that promote better leadership and effective knowledge management for improved innovation. Many industries in Kenya need to grow their innovation capacity to improve their competitive position in the market place. Knowledge management plays a critical role in boosting this capacity. Policy makers can utilize the study findings to develop reforms in various spheres to improve local, regional and global competitiveness of Kenyan firms.

The study has implications for managerial practice with regard to leadership, knowledge management practices and innovation. The study findings provide useful information on leadership and KM, which can be used by leaders and their subordinates to make decisions that are more informed. This can be achieved by combining effective leadership style with effective knowledge management practices.

This study has contributed to managerial practice by identifying appropriate leadership styles for improving knowledge management within an organization. It also provides the leaders in Kenyan banks with a way to grow their innovation capacity.

5.5 Limitations of the Study

Several limitations were experienced during the research among them conceptual, methodological and contextual. One of the limitations was that the variables studied were not exhaustive as inclusion of other factors enriches the study.

The research design of this study was a descriptive cross sectional design observing the variables at a static point in time. A longitudinal study design would have produced results that reflected the changes in the environment. In some banks, respondents were hostile and refused to participate in the study.

The study might also have some weakness associated with the use of the 5 scale Likert scale questionnaire. Respondents responses may be biased and tend towards choosing middle and higher ratings on the scale as opposed to lower ones.

5.6 Suggestion for Further Research

This study recommends possible future research areas. Future researchers could include more variables not included in this study. Future researchers could also consider using a different approach from the one used in the study when operationalising the variables. The same study could also be replicated in different study context such as in different industries and regions of the world to allow for generalization of findings.

Future researchers can also consider longitudinal design to overcome the limitations of cross sectional research design. The impact of leadership on the association between knowledge management and organizational innovation can be evaluated over time to establish causal relationships.

5.7 Recommendations

The findings of this investigation led to the formulation of several recommendations. The findings revealed that leadership has a vital moderating influence on the association between knowledge management and organizational innovation. The study recommends that banks in Kenya should pursue effective leadership practices and embrace effective knowledge management since they enhance organizational innovation.

On policy, the study reveals that banks in Kenya play a key role in supporting the country's economic framework by facilitating individual and business transactions thereby positively influencing the country's economy. This study therefore recommends that the government should formulate favorable policies, supportive of the banking industries' initiatives in order to promote creativity, innovation and overall economic growth.

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APPENDIX I: QUESTIONNAIRE

This questionnaire is designed to collect data from commercial banks operating in Kenya. The purpose of the data is to evaluate *The Influence of Leadership on Knowledge Management and Organizational Innovation in Commercial Banks in Kenya*. The data will be used for academic purposes only and will be treated with strict confidence. Your support is highly appreciated.

Section A: Organizational and Respondent Profile

- i. Name of the bank _____
- ii. Indicate the ownership of the bank _____
 - a. Local public owned bank ()
 - b. Local private owned bank ()
 - c. Foreign owned bank ()
- iii. Category of the bank
 - a. Tier 1 ()
 - b. Tier 2 ()
 - c. Tier 3 ()
- iv. Number of employees _____
- v. Please indicate your average annual turnover....Kshs _____
- vi. Please indicate the bank's capitalization _____
- vii. No of years in operation _____
- viii. Kindly indicate the bank's range of products _____
- ix. Please indicate your job title/ position _____
- x. How long have you worked in this company? _____ years

Section B: Knowledge Management practices in the bank.

Please indicate with a tick (√) the extent to which you agree with the following statements.

Key: 1= Not at all; 2= To a small extent; 3=To a Moderate extent; 4= To a large extent; 5=To a very large extent

STATEMENT	1	2	3	4	5
a) Knowledge Acquisition					
1. The bank conducts regular staff appraisals to determine the knowledge needs of our employees					
2. Individuals are knowledgeable about their work					
3. Employees are encouraged to attend training seminar and conferences					
4. Employees are encouraged to pursue further education					
5. Regular meetings are held with employees					
6. Our bank carries out a lot of market research					
7. We are quick to detect changes in the environment					
8. Competitors' information is collected by more than one department in the bank					
9. New product/service development is driven by market needs.					
b) Knowledge Storage					
10. We keep record of internal best practices					
11. Our database is easily accessible.					
12. Quality rules for documenting organizational procedures are in place.					
13. Databases are updated on a regular basis.					

14. All employees have access to databases and repositories.					
c) Knowledge Dissemination					
15. Employees other than those in marketing interact directly with customers to learn how to serve them better.					
16. When individuals need expert information on an issue they know exactly who to contact within the bank.					
17. Regular meetings and online conversations are held between departments to discuss industry trends and developments.					
18. Employees within a department hold regular brainstorming sessions in search of solutions to current problems and to find ways to improve their processes.					
19. A large number of written reports are circulated within the bank.					
20. Job rotation is highly encouraged within the bank.					
21. Our workspace setting makes it easy for individuals to interact with each other.					
22. We frequently review successes and failure in our activities.					
23. Experts in an area share their knowledge with others through trainings.					
24. Policy and procedures manuals are regularly updated.					
25. Information technology such as video conferencing, teleconferencing and groupware					

are used to share information within the bank.					
d) Knowledge Exploitation.					
26. We are quick to respond to customer concerns					
27. We are quick to respond to employee concerns.					
28. We manage to keep up with technological advancements that could affect our business.					
29. We are quick to respond to competitors' campaign that could hurt our business.					
30. We readily do away with unsuccessful products and services.					
31. Groups adopt new processes and procedures in line with new knowledge gained.					
32. The organization changes its programs and policies in line with new knowledge.					

Section C: Organizational Innovation

Please indicate with a tick (√) the extent to which you agree with the following statements.

Key: 1=Not at all; 2=To a small extent; 3=To a Moderate extent; 4= To a large extent; 5=To a very large extent

STATEMENT	1	2	3	4	5
a) Products and Service innovation-assessment of results for the last 15 years					
1. The bank has a focused, well planned products and services development process					
2. The bank has introduced new ranges of products and services not previously on the bank's catalogue.					
3. We continually improve and reposition our					

existing range of products and services					
4. We have launched products that are the first of their kind in the world					
5. New insights and ideas aimed at improving our products and services are taken into consideration.					
6. Experimentation is encouraged					
7. The length of time between conception of a new product and its introduction into the market place is reasonable.					
8. The research and development team works closely with the marketing team to address market needs.					
9. The bank leadership shows commitment to the innovation process by allocating sufficient finances, equipment and work force to enable successful adoption of the innovations.					
10. The market share of the bank has grown because of product/service innovations.					
11. The bank has clearly defined innovation strategies and initiatives.					
b) Process Innovation- assessment of results for the last 15 years					
12. The bank has developed new service delivery channels and processes.					
13. The bank continually improves existing methods and procedures.					
c) Marketing Innovation-assessment of results for the last 15 years					

14. The bank has entered new geographical markets where it did not have previous operations.					
15. The bank has entered new markets in terms of demographics and categories, which it was not previously serving					
16. The bank has repositioned some of its products in the market.					
17. All the banks new products have been successful in the market					
d) Administrative Innovation-assessment of results for the last 15 years					
18. The bank has developed new administrative procedures, regulations and policies such as performance evaluation methods, reward systems etc.					
19. There have been changes in the structure of the bank.					
20. There have been changes in the business practice of the bank					
21. The banks external relations with suppliers and other stakeholders have improved.					

Section D: Examining Full Range Leadership Components.

Please indicate with a tick (√) the extent to which you agree with the following statements.

Key: 1=Not at all; 2=To a small extent; 3=To a Moderate extent; 4= To a large extent; 5=To a very large extent

STATEMENT	1	2	3	4	5
Transformational Leadership					
a) Charisma/Inspirational Motivation (IM)					
1. Employees are proud of the bank’s leadership team.					
1. The leaders’ actions go beyond self-interest.					
2. The leadership team is respected.					
3. The leadership team displays power and confidence					
4. The leadership team works towards instilling good values in the employees.					
5. All employees are working towards a collective mission.					
6. The top management team models ethical standards.					
7. The leaders’ outlook about the future of the bank is optimistic.					
8. The bank’s leaders express confidence at all times.					
9. The leaders are energetic and enthusiastic.					
10. The leaders arouse in employees awareness about important issues affecting the banking industry.					
b) Intellectual Stimulation (IS)					
11. Our leaders encourage us to re-examine					

assumptions.					
12. Our leaders seek different views from the employees.					
13. The leadership team suggests new ways of doing things.					
c) Individualized Consideration (IC)					
14. The banks leaders pay individualized attention to the employees.					
15. The leaders help employees focus their strength towards their areas of excellence.					
16. The banks' leaders teach and mentor their subordinates.					
d) Transactional Leadership/Contingent Reward (CR)					
17. Goals and rewards are well defined within this bank.					
18. The leaders assist employees based on an employee's effort.					
19. Employees are rewarded for their achievements					
e) Active Management by Exception					
20. The leaders focus on employees' mistakes and failures.					
21. The leaders are always putting out fires					
f) Laissez Faire: Passive-Avoidant Leadership					
22. The banks' leaders only react to problems, if they are serious.					
23. There is no effort from the leaders to change things-if it is not broken, do not fix.					

24. The leaders of this bank only react to chronic problems.					
25. The banks leaders avoid involvement.					
26. The leaders seem to be absent when needed.					
27. The leaders avoid making decisions.					
28. The leaders delay in responding to issues.					

Thank you for your time and participation in this study.

Appendix 2: List of Commercial Banks operating in Kenya as at 24th, January 2018

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India.
5. Barclays Bank of Kenya.
6. CFC Stanbic Bank Ltd.
7. Citibank N.A Kenya Ltd.
8. Commercial Bank of Africa Ltd.
9. Consolidated Bank of Kenya Ltd.
10. Co-operative Bank of Kenya Ltd.
11. Credit Bank Ltd.
12. Development Bank of Kenya Ltd.
13. Diamond Trust Bank of Kenya Ltd.
14. Ecobank Kenya Ltd.
15. Equatorial Commercial Bank Ltd.
16. Equity Bank Ltd.
17. Family Bank Ltd.
18. Fina Bank Ltd.
19. First Community Bank Limited.
20. Giro Commercial Bank Ltd.
21. Guardian Bank Ltd.
22. Gulf African Bank Limited.
23. Habib Bank A.G Zurich.
24. Habib Bank Ltd.
25. I & M Bank Ltd.
26. Jamii Bora Bank Limited.
27. Kenya Commercial Bank Limited.
28. K-Rep Bank Ltd.
29. Middle East Bank Ltd.
30. National Bank of Kenya Ltd.

31. NIC Bank Ltd.
32. Oriental Commercial Bank Ltd.
33. Paramount Universal Bank Ltd.
34. Prime Bank Limited.
35. Standard Chartered Bank Kenya Ltd.
36. Trans-National Bank Ltd.
37. UBA Kenya Bank Limited.
38. Victoria Commercial Bank Ltd.

Source: Central Bank of Kenya (n.d.). Directory of licenced Commercial Banks, Retrieved from <https://www.centralbank.go.ke>