

**THE INFLUENCE OF PSYCHIC DISTANCE AND KNOWLEDGE
MANAGEMENT ON THE RELATIONSHIP BETWEEN FIRM
COMPETENCIES AND PERFORMANCE OF MULTINATIONAL
CORPORATIONS IN KENYA**

MOKAMBA LILLY

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF
PHILOSOPHY IN BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

2016

DECLARATION

I, the undersigned, declare that this research thesis is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

Signature.....

Date.....

Mokamba Lilly
D80/80461/2009

SUPERVISORS

The thesis has been submitted for examination with our approval as University Supervisors.

Signature.....

Date.....

Prof. Martin Ogutu, Ph.D.,
Associate Professor,
Department of Business Administration
School of Business
University of Nairobi.

Signature.....

Date.....

Prof. Zachary B. Awino, Ph.D.,
Associate Professor,
Department of Business Administration
School of Business
University of Nairobi.

Signature.....

Date.....

Dr. Peterson Magutu, Ph.D.,

Lecturer,
Department of Management Science
School of Business
University of Nairobi.

DEDICATION

To my parents, my late father Justus Mokamba Mariaria and my mother Ruth Mariaria. Dad, from you I learnt that giving up is not an option. Your firm hand for perfection and determination instilled in me the discipline needed to complete this thesis. You may not have lived to see this dream become a reality, but I know you rest in tranquil knowing I made it. Rest in Peace dear dad. Mum, you are and always will be a pillar of support for me. Right from my early days in school, I learnt that for you, there was no compromise when it comes to education. I never met anyone with a stronger will than you.

ACKNOWLEDGEMENTS

This thesis could not have been possible without the invaluable advice and support of my supervisors, Professor Martin Ogutu, Professor Zachary B. Awino and Dr. Peterson Magutu. Their thought provoking comments transformed my way of looking at academic writing. I will always be thankful for their insightful assistance in developing the conceptual ideas of this thesis and in teaching and mentoring me on critical thinking. Their attention to detail is something I can only hope to aspire to be.

I would also like to thank the various committees through which I was examined as I sought to attain this dream. Their astute comments went a long way in shaping this thesis to what it has become today. To my colleagues, respondents, research assistants, data analysts and all who in one way or the other contributed towards the development of this thesis, I sincerely appreciate.

Mum who kept me in the race with her constant encouragement even when things seemed too thick. She is the reason I began and completed this journey. Dad you taught me to fight and never give up. To my siblings I appreciate your inspiration throughout this journey. Finally, I thank the Almighty God for giving me the strength to carry on, the wisdom to comprehend, the determination and the finances to complete this thesis.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
LIST OF FIGURES	ix
LIST OF TABLES	x
ABBREVIATIONS AND ACRONYMS	xiii
ABSTRACT	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Firm Competencies.....	4
1.1.2 Knowledge Management.....	6
1.1.3 Psychic Distance.....	8
1.1.4 Firm Performance	10
1.1.5 Linkages of the key study variables and concepts.....	12
1.1.6 Multinational Corporations in Kenya	13
1.2 Research Problem.....	16
1.3 Research Objectives	20
1.4 Value of the Study	20
1.5 Structure of the thesis	22
CHAPTER TWO: LITERATURE REVIEW	25
2.1 Introduction	25
2.2 Theoretical Foundations	25
2.2.1 Resource Based View	25
2.2.2 Knowledge Based View	28
2.2.3 Diamond Theory of National Competitive Advantage.....	29
2.2.4 Psychic Distance Theory	31
2.3 Empirical Studies.....	33
2.3.1 Firm Competencies and Performance.....	33
2.3.2 Firm Competencies and Knowledge Management.....	35
2.3.3 Knowledge Management, Psychic Distance and Firm Performance.....	36
2.3.4 Firm Competencies, Knowledge Management and Performance	38
2.3.5 Firm Competencies, Knowledge Management, Psychic Distance and Performance	39
2.4 Summary of Knowledge Gaps.....	40
2.5 Conceptual Framework	44

2.6 Conceptual Hypotheses	46
2.7 Chapter Summary	47
CHAPTER THREE: RESEARCH METHODOLOGY	48
3.1 Introduction	48
3.2 Research Philosophy	48
3.3 Research Design	49
3.4 Population of the Study	50
3.5 Data Collection	51
3.6 Operationalization of Study Variables	52
3.7 Reliability Test	58
3.8 Validity Test	59
3.9 Data Analysis.....	60
3.10 Chapter Summary	69
CHAPTER FOUR: DATA ANALYSIS AND RESULTS.....	70
4.1 Introduction	70
4.2 Respondents Characteristics.....	71
4.3 Descriptive Statistics of the study variables.....	75
4.4 Reliability Analysis	77
4.5 Normality Tests	79
4.6 Multicollinearity Test	81
4.7 Homogeneity Tests.....	83
4.8 Factor Analysis.....	84
4.9 Correlations of the study variables	91
4.10 Competencies and Firm Performance	98
4.10.1 Firm Competencies and Service Delivery	98
4.10.2 Firm Competencies and Firm Learning and Growth.....	100
4.10.3 Firm Competencies and Internal Business Process	102
4.10.4 Firm Competencies and Non-Financial Performance.....	104
4.10.5 Firm Competencies and Financial Performance.....	106
4.10.6 Firm Competencies and Performance.....	108
4.11 Firm Competencies and Knowledge Management.....	110
4.12 Knowledge Management and Performance as moderated by Psychic Distance	114
4.12.1 Knowledge Management and Service Delivery	114
4.12.2 Knowledge Management and Firm Learning and Growth	117
4.12.3 Knowledge Management and Internal Business Process	120

4.12.4 Knowledge Management and Non-Financial Performance.....	123
4.12.5 Knowledge Management and Financial Performance	126
4.12.6 Knowledge Management and Firm Performance	129
4.13 Firm Competencies and Performance with Knowledge Management as the mediator.....	133
4.13.1 Firm Competencies and Service Delivery	133
4.13.2 Mediating effect of Knowledge Management on Firm Competencies and Learning and Growth of the firm	137
4.13.3 Mediating effect of Knowledge Management on Firm Competencies and Internal Business Process.....	140
4.13.4: Mediating effect of Knowledge Management on Firm Competencies and Non-Financial Performance	143
4.13.5 Mediating effect of Knowledge Management on Firm Competencies and Financial Performance	145
4.13.6 Mediating effect of Knowledge Management on Firm Competencies and Firm Performance	148
4.14 Joint effect of Competencies, Knowledge Management and Psychic Distance on Multinational Corporation Performance.....	151
4.14.1 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Service Delivery.....	151
4.14.2 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Learning and Growth	154
4.14.3 Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Internal Business Process	157
4.14.4 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Non-Financial Performance	159
4.14.5 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Financial Performance	162
4.14.6: Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Firm Performance.	164
4.15: Firm Competencies, Knowledge Management, Psychic Distance on Firm Performance Aggregated Index Approach.	167
4.16 Chapter Summary.....	169
CHAPTER FIVE: DISCUSSION OF RESULTS	173
5.1 Introduction	173
5.2 Firm Competencies and Performance.....	173

5.2.1 Technological Competencies and Firm Performance	176
5.2.2 Managerial Competencies and Firm Performance	177
5.2.3 Employee Competencies and Firm Performance	179
5.3 Firm Competencies and Knowledge Management.....	180
5.4 Moderation of Psychic Distance on the relationship between Knowledge Management, and Firm Performance	181
5.5 Mediation of Knowledge Management on the relationship between Firm Competencies and Firm Performance.....	183
5.6 Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Firm Performance.....	185
5.7 Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Firm Performance using Aggregated Index Approach.....	187
5.8 Chapter Summary	189
CHAPTER SIX : SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	190
6.1 Introduction	190
6.2 Summary.....	190
6.3 Conclusion.....	192
6.4 Implications of the Study.....	195
6.4.1 Theoretical Implications	196
6.4.2 Policy Implications	198
6.4.3 Implications for Practice.....	199
6.4.4 Implications for Methodology	200
6.5 Limitations of the Study	200
6.6 Suggestions for Further Research.....	202
6.7 Chapter Summary	203
REFERENCES	204
APPENDICES.....	216
Appendix I: Letter of Introduction	216
Appendix II: Questionnaire	217
Appendix III: List of Multinational Corporations in Kenya.....	224

LIST OF FIGURES

Figure 2.1: Conceptual Model	45
Figure 4.1: Normal Q-Q plot for firm knowledge management	80
Figure 4.2: Normal Q-Q plot for Non-Financial Performance	81
Figure 4.3: Scree Plot.....	88

LIST OF TABLES

Table 2.1: Summary of Knowledge gaps Continued.....	42
Table 3.1: Operationalization of Study Variables.....	55
Table 3.2 Objectives, Hypotheses and Analytical Techniques	65
Table 4.1 Distribution of respondents by Level of Education	72
Table 4.2 Distribution of respondent’s years of service in the company	73
Table 4.3 Distribution of respondents by Job designation	73
Table 4.4 Distribution according to Industry Sector	74
Table 4.5 Summary of descriptive statistic of study variables.....	76
Table 4.6 One sample t-test.....	77
Table 4.7 Reliability Statistics	78
Table 4.8 Normality Tests	79
Table 4.9 Tests of Multicollinearity	82
Table 4.10 Test of Homogeneity of Variances	83
Table 4.11 Table of Communalities	85
Table 4.12 Total Variance Explained.....	87
Table 4.13 Component Matrix ^a	89
Table 4.14 Rotated Component Matrix ^a	90
Table 4.15: Correlation analysis between Firm competencies, Knowledge management, Psychic Distance and Performance	92
Table 4.16: Correlation analysis- Firm competencies, Knowledge Management, Psychic Distance, Performance.....	97
Table 4.17: Firm Competencies and Service Delivery	99
Table 4.18: Firm Competencies and Firm Learning and Growth	101
Table 4.19: Firm Competencies and Internal Business Process	103
Table 4.20: Firm Competencies and Non-Financial Performance.....	105
Table 4.21: Firm Competencies and Financial Performance.....	107

Table 4.22: Firm Competencies and Performance.....	109
Table 4.23: Correlation Analysis	113
Table 4.24: Moderating effect of Psychic Distance on Knowledge Management and Service Delivery.....	115
Table 4.25: Moderating effect of Psychic Distance on Knowledge Management and Firm Learning and Growth	118
Table 4.26: Moderation of Psychic Distance on Knowledge Management and Internal Business Process	121
Table 4.27: Moderation of Psychic Distance on Knowledge Management and Non-Financial Performance	124
Table 4.28: Moderating effect of Psychic Distance on Knowledge Management and Financial Performance	127
Table 4.29: Moderating effect of Psychic Distance on Knowledge Management and Firm Performance.....	130
Table 4.30: Mediating effect of Knowledge Management on Firm Competencies and Service Delivery.....	134
Table 4.31: Mediating effect of Knowledge Management on Firm Competencies and Learning and Growth of the firm	137
Table 4.32: Mediation of Knowledge Management on Firm Competencies and Internal Business Process.....	140
Table 4.33: Mediation of Knowledge Management on Firm Competencies and Non-Financial Performance	143
Table 4.34: Firm Competencies and Financial Performance.....	146
Table 4.35: Mediation of Knowledge Management on Firm Competencies and Firm Performance	149
Table 4.36: Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Service Delivery.....	152
Table 4.37: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Learning and Growth	154

Table 4.38: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Internal Business Process.....	157
Table 4.39: Joint effect of firm competencies, knowledge management and psychic on Non-Financial Performance	160
Table 4.40: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Financial Performance	162
Table 4.41: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Firm Performance	165
Table 4.42: Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Performance Aggregated Index Approach.....	168

ABBREVIATIONS AND ACRONYMS

MNC:	Multinational Corporation
RBV:	Resource Based View
KBV:	Knowledge Based View
ROA:	Return on Assets
ROE:	Return on Equity
DY:	Dividend Yield
SD:	Service Delivery
FLG:	Firm Learning and Growth
IBP:	Internal Business Process

ABSTRACT

This study was anchored on the proposition that proper utilization of competencies creates proficiencies that build a niche for the firm. The study sought to make a contribution by focusing on how competencies can be crafted by incorporating them with knowledge management and psychic distance in an integrated structure to improve performance of multinational firms. The broad objective of the study was to determine the influence of psychic distance and knowledge management on the relationship between competencies and performance of MNC's in Kenya. To achieve the objective, five hypotheses were formulated and tested to form the basis of conclusions that were drawn. This study was anchored on the resource based view theory, knowledge based view theory, psychic distance theory and diamond theory of national competitive advantage. The study adopted positivism orientation and a descriptive cross sectional survey was used to find out whether there was a significant association among study variables at a specific point in time. The study population was 104 multinational corporations operating in Kenya. Primary data was collected on a semi-structured questionnaire comprising a five point likert-type scale. Data was analyzed using descriptive and inferential statistics. Relationship between the variables was determined through hypotheses testing. Correlation and multiple regression evaluated the relationship between the variables. Regression analysis was used to predict the unknown value of variables from two or more variables. For reliability tests, Cronbach alpha coefficient was used and constructs with a Cronbach alpha coefficient greater than 0.6 were considered. The study established a significant relationship between firm competencies and performance of MNC's. Objective two confirmed a significant relationship between knowledge management and firm competencies. The study findings confirmed that knowledge management statistically influenced the relationship between competencies and firm performance hence was considered a moderator in this relationship. Contrary to expectations, the study established that psychic distance as an aggregate did not significantly influence the relationship between knowledge management and firm performance. The results on the joint effect confirmed that the interconnectedness of the study variables significantly influenced performance of multinational corporations. The study has made a unique theoretical contribution by linking the theoretical views into an integrated framework. The findings of this study were consistent with past studies and supported theoretical assertions that sustained competitive advantage cannot be explained by isolated factors. The study concluded that for multinational corporations to enhance their performance they must utilize the competencies that they have, make use of the knowledge they possess and create synchrony between the variables. The current study extends knowledge frontiers in international business arena to cover competencies as a mature discipline that affects multinationals performance. Theoretically, the study increases knowledge in relation to the firm competencies- performance relationship. Policy makers will utilize the study findings to facilitate multinational corporations align to policies that will lead to economic prosperity. The study has a major implication on managerial practice in that managers can realize their organizations full potential by crafting competencies and embracing knowledge management to upsurge improved performance. Firms can also be encouraged to develop strategies consistent with superior performance. The study also discussed concepts in a bid to explore policies that can strengthen linkages between international business research and national objectives. Future studies need to emphasize on other variables that may affect the performance of multinationals either directly or as moderating variables.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The business environment has gone through transformation due to the shift towards globalization hence, organizations are adopting strategic competence in order to remain competitive. Sustaining accelerated performance revolves around the ability to create and expand existing firm competencies while developing new capabilities. Firm competencies are recognized as key business drivers with a profound effect on organization performance. Firms can thus gain competitive advantage and attain their full potential by crafting their portfolio to determine what the performance requirements of the business are. Firm competencies are a yardstick for monitoring and evaluating organizational performance and improving their competitiveness. Thus, organizations must possess firm competencies that add value in order to secure their financial situations and market position (Raja, 2005).

As organizations seek improved performance, the challenge of creating competence competitiveness has gained an increasing interest in recent years. However, firm competencies alone cannot account for differences in performance among organizations (Levinson, 2005). As observed by McEvily and Chakravarthy (2002), certain non-observable factors have an impact on organization performance, these factors such as competencies, management capabilities, knowledge management or organizational routines may turn out to be the main determinants of organizational performance. Culture has an influence on competencies, since competence components interact with culture to influence performance. In a competitive environment, psychic distance and knowledge management have given added impetus to the relationship between firm competencies and performance.

While conducting research on competencies and its impact on performance, a range of theories informed the study. Grimm, (2004) accentuates that for proper development of any field of study, theoretical development is an eventual development. Resource Based View (Barney, 1991) advocates that sustainable competitive advantage cannot be explained by isolated factors, a conception supported by the Knowledge Based View (Spender, 1996) assertion that unique firm competencies when leveraged can provide firms with a sustainable competitive advantage. Research suggests that organizations that bring together the two interdisciplinary areas of firm competencies and knowledge management will have ultimate performance especially in a changing and unpredictable environment (Raja, 2008). The ability of the organization to manage knowledge and balance culture within political boundaries is the competence that enhances firm performance.

Knowledge based view advances the notion that knowledge is a critical resource towards firm's performance and firms combine competencies and knowledge as a key source of competitive advantage (Spender, 1996). Several writers have explored research into the area of knowledge management (Becerra-Fernandez & Sabherwal, 2001; Chou & He, 2004; Nonaka, 1994; Nonaka& Konno, 1998). The researchers come to the same consensus that knowledge management provides a more complete picture as to how firms create new knowledge and advance its management to impact on performance. The diamond theory of national competitive advantage suggests that a country's factor endowments specifically knowledge resources, physical resources, human resources, location, capital resources and infrastructure play a key role in determining its competitive advantage. Psychic distance theory impacts on home and host countries firm operations in that, cultural distance may impact positively or negatively on psychically close countries global operations. This study was anchored on these theories.

Multinational Corporations have played a key role in international trade for several centuries. A number of them are becoming key players in accelerating economic growth and transforming the economies of nations. The growth of Kenya's economy depends greatly on the success of MNC hence practitioners have started paying much more attention to studies on MNC. A large percentage of MNC in Kenya engage in very useful and productive activities such as creating employment opportunities, contributing to Kenya's GNP and making available a wider range of better quality products. However in recent years, MNC have been faced with increasing competition from various sources and are striving to remain competitive amidst the increasing competition.

This has prompted multinational corporation managers to begin paying attention to national culture and its impact on performance. The role of national culture and its impact on MNC performance has been debated and sometimes underestimated. Puffer and McCarthy (1988) observed that many organizational conflicts arise from incompatible cultures of the parent firm which in turn have an impact on the MNC's performance. Halkos and Tzeremes (2008) suggest that shared management with considerable influence from both local and foreign partners has a positive impact on performance and acquisition of knowledge. Thus it is conceivable that MNC with strong cultures will develop competencies that their competitors will be unable to imitate giving them a competitive edge.

With increasing competition among firms and the threat of being out competed in a liberalized economy, multinational corporations need to shape their competencies in line with market expectations. To do this, they need to understand the key variables that drive performance. MNC's can influence the economy of the country due their

scale of operations. It is therefore important to develop an understanding of the success factors in the performance of multinationals in the Kenyan business context. This study is guided by the scarcity of empirical and conceptual studies to this effect and specifically on factors affecting the firm competencies and performance relationship of multinational corporations in Kenya.

Most studies have focused on the individual effects of competencies, psychic distance and knowledge management on performance. However, the interactive effect of competencies, knowledge management and psychic distance on performance is also important. This forms the basis of this study, on the joint effect of firm competencies, on the performance of MNC's performance may be influenced by psychic distance and knowledge management.

1.1.1 Firm Competencies

The concept of firm competencies has been the subject of numerous studies in various research fields. Firm competencies result from a combination of abilities as opposed to any single ability of a firm, as suggested by Casselman and Samson (2007) who established that a firm's output was a function of firm specific technologies, production related skills (employee knowledge, skills and attitudes), and supportive technical and managerial capabilities. Their view is similar to that of Daley (1991), Ritter (2006) and Garvin (2000), who describe firm competencies as a word often associated with an individual's knowledge, skills, and attributes in an effort to differentiate high performers from average performers. Proper utilization of competencies creates core competencies that craft a niche for the firm in the market. Consistent with the previous authors, Nelson (2008) defined an organization competency as the organizational capacity or efficiency necessary for the organization

to achieve its goals. Using insights from the Resource Based View, Fleury and Fleury (2003) describe a competency as an ability to do something, a definition that is echoed by Prahalad and Hamel (1994). This study adopted the conceptual definition proposed by Casselman and Samson (2007), Ritter (2006), Daley (1991) and Garvin (2000).

Today, organizations need to understand their competencies and capabilities in order to successfully exploit their resources. Understanding competencies involves collective learning in the organization especially how to coordinate diverse knowledge, skills and integrate technology. Wang *et. al.* (2004) demonstrated the importance of integrating competencies adding that competencies enable firm's to encompass deployment of unique resources to respond to environmental conditions. Thus competencies are the wellsprings of firms which constitute the pyramid of competitive advantage and drive integrated business execution. Firm competencies have given a new perception in which organization performance has incorporated both financial and non-financial measures.

Competencies are a yardstick towards firm performance hence, firms must seek managerial, technology and employee competencies as fundamental antecedents to firm success. The knowledge of competencies is increasingly important for firms tasked with producing results. Thus, competencies alone cannot bring out the success that firms strive to attain without knowledge management. It is against these arguments that the current study examined the impact of knowledge management on the relationship between competencies and firm performance.

1.1.2 Knowledge Management

Knowledge management in any organization can be a tool to achieve competitiveness. Knowledge management is an organization's ability to exchange, combine knowledge to create new knowledge and perceive value in the exchange and combination process (Smith *et al.*, 2005). Rastogi (2000) outlines that knowledge management is a systematic and integrative process of coordinating organization-wide activities of acquiring, creating, sorting, sharing, diffusing, developing and deploying knowledge by individuals and groups in pursuit of major organizational goals. Nahapiet and Ghosal (1998) posit that knowledge management plays a critical role in competitive advantage that ultimately results in excelling of the organization. It is the process through which organizations create and use their institutional and collective knowledge by incorporating organizational learning, knowledge production and knowledge distribution.

Knowledge management has been considered a critical strategy for firms to remain competitive. This contention is supported by Nonaka (2001) who echoes that in an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge. According to Nonaka (1995), when markets shift, technologies proliferate, competitors multiply and products become obsolete almost overnight, successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization and quickly embody it in new technologies and products.

Knowledge management is an intangible resource that allows organizations to continually create new sources of advantage and adapt to changes within the environment. According to Kogut and Zander (1992), the organization exists to create, transfer and transform knowledge into competitive advantage. This view is emphasized in the knowledge based view of the firm theory which suggests that the capacity to generate new knowledge on an on-going basis is key to organizational success and survival in a turbulent and dynamic environment. Literature has demonstrated that superior knowledge can be associated with higher strategic capability and faster reaction to environmental changes (Grant, 1996; Volberda, 1996). Consistent with these propositions, studies have demonstrated that in order to survive, and what is more challenging to enhance competitive advantage, firms must possess a knowledge base and capabilities which add value to it (Kogut & Zander, 1992; Nahapiet, 1998).

The debate on the role of knowledge management in the organization has become much more complex during the past decade because of the continuous progress in technological advances and inventions as well as their implications for the business environment. It is particularly important to note that, of all possible resources that a firm might possess, its knowledge base has perhaps the greatest ability to serve as a source of competitive advantage. The effort of most companies to manage knowledge has not been fruitful and many executives have become disillusioned with the practicality of trying to enhance organizational knowledge (De-Long, 2000). This trend has led scholars to begin to study knowledge management and especially how firms can develop this unique competence. Raja (2004) acknowledges that knowledge management has been illustrated as a significant discipline in leading to positive organization performance.

Owing to the importance of knowledge management, there was a need to address moderating role of knowledge management on the relationship between firm competencies and performance in the multinational sector in Kenya. The current study embraced knowledge acquisition, knowledge application and knowledge dissemination as dimensions of knowledge management and sought to establish whether knowledge management affects the relationship between firm competencies and performance.

1.1.3 Psychic Distance

Psychic distance is defined as the extent to which the shared norms and values in one country differ from those in another (Hofstede, 2001; Kogut & Singh, 1988). Dowling *et al.* (2011) and Child *et al.* (2009) define psychic distance as the perceived difference between the characteristics of a firm's domestic environment and those of a foreign country that generate uncertainties among business decision-makers which may discourage the firm's international diversification into that country. Moresini *et al.* (1998) defined psychic distance as the extent to which cultural norms and practices in one country are different from cultural norms and practices in another country. Johnson and Vahlne (1990) define psychic distance as the distance between the corporate headquarters and the subsidiaries in their cultural characteristics.

It could be argued that no two cultures are exactly the same. Culture may share similarities with another but the extent to which such similarities exist vary from one country to another. The extent to which national cultures share similarities or differ from one another is termed national psychic distance, also referred to as national cultural difference. The role of national culture on performance of multinationals has been debated by scholars and researchers. Different scholars take different stands.

Some see the role of culture as being overstated and insignificant to the performance of multinationals, some believe multinationals cannot be successful without taking cultural distance into consideration and others identify a positive or negative effect of national cultural differences on the performance of multinationals.

Ghemewat (2001), observes that there are four dimensions of distance: cultural, administrative, geographic and economic each with a different measure of influence on business. Hofstende (1991) asserts that culture represents the collective programming of the mind that distinguishes members of one organization from another. Hofstende (1991) studied employees working in a MNC. He described six ways that can help in analyzing and understanding other cultures as individualism versus collectivism, power distance, uncertainty avoidance, masculinity versus femininity, long term orientation, pragmatic versus normative and indulgence versus restraint.

Companies undertaking business practices across national boundaries will need to make room for the differences that exist between their culture and that of the country they are venturing into as failure to do this is evident in the increasing number of management blunders that can be seen in the world of international business (Miroshnik, 2002; Morden, 1995). According to Newman and Nollen (1996), when management practices are in synchrony with national cultures, multinationals gain competitive advantage and failure to do so will have an adverse effect on performance. The wider the psychic distance, the more costs a multinational will incur and therefore leading to reduced performance.

The management field has focused on business concepts that affect firm performance in an attempt to answer the question as to why some firms perform better than others. The current study focused on psychic distance and sought to establish its impact on the relationship between firm competencies and performance.

1.1.4 Firm Performance

Firm performance is a continuous process involving managers working together to achieve the required results. International performance is the outcomes of a firm's activities in the international market place (Hult, Ketchen, Griffith, Chabowski, Hamman, Dykes, Politee & Cavusgil, 2007). Performance signifies an organizations achievement of its stated objectives (Bagire, 2012). Organizations have different ways of measuring their success. The level of success is generally based on organizational performance (Sink, 1985; Staw, 1986; Waweru, 2008). In this study, performance was defined by financial and non-financial measures.

There is lack of agreement on performance measures as scholars define the concept depending on their discipline of study (Vekantaraman & Ramanujan, 1986). Further, the indicators of measuring performance are not universally identified or defined (Venkataraman & Ramanujam, 1986). This has been acknowledged by Lu & Beamish (2006) and Zeng *et al.* (2009), who observed that it is difficult to select suitable indicators to measure performance. As a result, researchers have made use of multiple measures to get a more complete understanding of an organizations results (Richard *et al.*, 2009).

Previous scholars have argued that although financial measures have been widely used to measure financial performance, they do not sufficiently approximate the actual firm performance and should be supplemented by other subjective measures for a comprehensive representation of performance. According to Chakravanthy (1986), performance is a multidimensional construct composed of various related elements.

There are three common approaches to organization performance measurement namely objective measures which tend to be quantitative in nature and are based on end results, subjective measures which are judgmental and qualitative in nature focusing on the means by which end results are achieved. Financial measures are commonly derived from secondary data and have been used in studies on MNCs (Tanrivedi, 2005; Lecraw, 1983). However, these measures have been found to be lacking and in order to mitigate the shortcomings of the financial measures, multinational organizations have resorted to use a composite of performance measures.

Hult *et al.* (2007) reiterates that a performance-measurement framework should focus on multiple indicators and multiple data sources, for the international arena. This study proposes the Kaplan and Norton (1996) Balanced Score Card approach, which indicates that firm performance not only includes financial measures but also non-financial measures. It allows managers to look at business from four perspectives; financial, service delivery, learning and growth and internal business process. Kaplan and Norton's (1996) balanced score card points out that firm performance is viewed as a multi-dimensional construct and should include financial, operation and customer related performance measures. Venkatraman & Ramanujam (1986) classify performance measures according to different firm levels such as financial indicators. Rampersand (2009) proposes and supports the use of detailed performance measures as per the scorecard perspective.

Scholars have defined performance measurers based on a number of variables. However, the emphasis has been drawn more towards the Balanced Score Card as an all-inclusive measure that attempts to exhaust the debate on factors influencing performance. The current study explored the balanced score card approach with financial and non-financial measures of performance in establishing whether firm competencies, knowledge management and psychic distance affected the performance of MNC's in Kenya.

1.1.5 Linkages of the key study variables and concepts

The relationship between firm performance and competencies has been studied in different perspectives. Some researchers have highlighted on the direct relationship between the variables while others have examined various moderating and mediating variables that may affect the relationship. Studies on the competencies and performance relationship highlights that there is a relationship between competencies and performance, however this relationship is affected by other transitional outcomes that ultimately have a strong bearing on performance outcomes. Levenson (2005) advises that to ascertain the link between competencies and performance, researchers must focus on intermediate outcomes that impact on performance.

Firms must have the ability to manage knowledge for them to succeed and remain competitive (Gorelick and Monsou, 2005). Similarly, according to Bhagat *et al.*, (2002), psychic distance is one of the most important contextual variable that impacts on the knowledge management process in multinational corporations. Knowledge management is consequently considered critical for cross border operations. It is therefore important that organization acquire knowledge about overseas markets to nurture International Business.

While research has depicted positive and sometimes negative relationships with each of the variables on performance, it is yet to be determined whether there exists a positive and significant relationship on performance when the moderator and mediator are introduced. The reciprocalness of competencies, knowledge management, psychic distance and performance is expected to yield significant results in relation to performance of multinational corporations. However, no empirical research has been done to prove this co-existence. This study examined the association among the study variables in an integrated structure and empirically tested the joint effect of the variables on the performance of multinational corporations in Kenya.

1.1.6 Multinational Corporations in Kenya

There are several ways of how to define multinational corporations and researchers generally have used the scope of operation as the best criterion to define multinationals. A multinational is a corporation with operations and investments in more than one country around the world. It has its headquarters in one country and operates wholly or partially owned subsidiaries in one or more other countries (Pablos, 2006). Multinational corporations operating in Kenya have stepped up expansion plans lured by the attractiveness of the market as the country embraces a borderless economy. The opening out is geared towards increasing the contribution of these multinationals to the economy of the country. As a result, Kenya is fast becoming the African home of choice for multinationals especially those looking to grow their presence on the continent.

The multinational represents a theater of action at the intersection between two cultures: the culture of the home country and the culture of the host country. As Hofstede (1983) points out, cultural differences do matter, and psychic distance may become one of the most crucial problems especially for management of multinationals. According to a number of international business studies there are differences in organizations and management practices between companies in different countries (Ghoshal & Westney, 1993; Hofstede, 1980; Sandstrom, 1990).

The competitive environment provides a unique opportunity to examine how globalization is affecting multinationals. Every multinational corporation provides some unique knowledge that allows it to exploit opportunities that exist in markets. A number of MNCs from developing economies and in Kenya specifically are becoming key players in the global economy. Despite efforts to remain competitive, some of these multinationals have been unable to sustain high performance as indicated by the closure rates and relocations. The local firms have not been able to fill the gaps provided by MNCs leading to low global competitiveness. This has contributed to the growing concern for improved performance and growth among MNCs in Kenya. In the recent years, a number of multinationals which had left are making their way back into the country. This trend has been informed by the attractiveness of internationalization. This entry of other players in the Kenyan market necessitates the design of competitive strategies that guarantee performance.

The Kenyan MNC sector is a key element for Kenya's economic development and growth. It is therefore paramount that firms create strategies to sustain growth and international competitiveness. The competitive advantage of the multinational lies in its ability to identify and efficiently transfer strategic knowledge within its

geographically dispersed location. According to Muhlbacher *et al.* (1999) MNCs manage and conduct their business inside their national cultures, which traditionally dominate. In addition with this view, Hoecklin (1995) suggests that multinationals cannot create cultures which are substantially different from the cultures of the country in which they operate. Lee and Yu (2004) suggest that psychic distance can have an effect on multinationals performance due to the fact that cultural values act as structuring relationships that ensure the transfer of knowledge across borders. This study serves as a starting point in providing an understanding of the role of psychic distance in the relationship between knowledge management and performance.

Imminent trends in the international marketplace favor the continued development of multinational corporations. Key to this is sustaining international competitiveness. As multinationals become key global players, their business activities significantly enhance the integration and co-operation between developing and developed markets thus contributing significantly to the growth of the economy. This co-operation will greatly increase economic growth and create the opportunity to acquire best practices from developed markets.

The future of multinationals points towards their likely acceleration of economic growth, bringing more affordable products to the market and increasing their competitiveness. This in turn is the key to multinational success (Kogut & Zander, 1993; Teese, 1977). To remain competitive and meet performance targets, multinational corporations need to be equipped with a thorough understanding of the foreign market and the company's abilities when it comes to determining appropriate competitive strategies. An analysis of firm competencies, knowledge management and psychic distance offered insight on how to improve performance of MNCs and ultimately economic growth.

1.2 Research Problem

Firm competencies have long been considered significant factors in a firm's performance because they enable the firm to develop, combine and transform its resources into value offerings (Doole & Demack, 2006). The global competitive environments leading firms have embraced competence strategies to help them map out their growth paths. This study tested the relationship between firm competencies and firm performance with knowledge management and psychic distance as a moderator and intervening variable. The integrated approach of competencies, knowledge management, psychic distance and performance was consistent with the Resource Based View Theory notion that sustainable competitive advantage cannot be explained by isolated factors.

Studies suggest that unique firm competencies when leveraged can provide firms with a sustainable competitive advantage. It is this competitive advantage that gives the firm an edge over its competitors. According to Spender (1996), a firm's expansion is dependent upon the knowledge resource that it possesses, therefore knowledge management plays a key role in determining its competitive advantage. Research has produced conflicting results on the impact of psychic distance on performance of the foreign affiliate. However, recent studies have concluded that it is the distance of national cultures that enhances the performance of foreign affiliates (Mardas *et al.*, 1996; Morosini *et al.*, 1998). Firm competencies alone may not have the expected impact on performance of MNC because psychic distance and knowledge management are important and affect the relationship.

During the last two decades or so, economic activities have become increasingly global and MNC's have played a major role in this process of globalization. Those in Kenya have been faced with increasing competition arising from various sources including other multinationals. Further, their performance has not gained a lot of leeway in the global market. Most related research in international business has been based on large MNC's from developed economies which derive ownership advantages due to their size and technological superiority and no attempt has been made to study the effect of competencies on multinationals in Kenya. Given the strategic importance of internationalization to firm growth, it is paramount to understand the relative effects of psychic distance and knowledge management on performance of MNC's operating in developing economies. This will provide mechanisms that may enable superior performance of these firms. However, what is not clear is whether psychic distance and knowledge management influence the relationship between firm competencies and performance of MNC's in Kenya.

Past studies on firm competencies and performance have yielded mixed findings. Researchers have focused on isolated effects of competencies, culture and knowledge management on performance (Rasula *et al.*, 2012; Raja, 2010). Advocates for firm competencies argue that organizations that use competency based systems are visionary or high performance organizations (Doole & Demack, 2006; Ansoff, 2005; Mosoti & Masheka, 2010; Kabagambe *et al.* (2012). Advocates against firm competencies argue that there are different routes to effectiveness in performance, therefore specifying a single set of firm competencies for such performance can be inappropriate (Hollenbeck & McCall, 1999; McKenna, 2002).

Raja (2010) focused on knowledge management practices, competencies and performance establishing that the variables are important criteria for improving performance. The study failed to address the impact of knowledge management on competencies and performance. Rasula *et al.*, (2012) found a positive impact of culture on knowledge management, the study however did not address the moderating role of cultural distance on the relationship between knowledge management and performance. Shojie and Cavusgil (2005) found a positive relationship between subsidiaries knowledge management strategy and competencies. The study did not account for the effect of the variables on performance. Yang (2010) found out that the relationship between strategic performance and knowledge management is moderated by knowledge sharing. However, the study failed to address the impact of knowledge management on competencies and performance.

Studies undertaken in Kenya provide empirical evidence on various variables influence on performance. Oloko (2012) established that power distance determines the success or failure of MNC in host countries. The study did not recognize other variables that may lead to enhanced performance of MNC in either host or home countries. Kagiri (2008) in his study established that there was a positive relationship between knowledge management and organization competencies. However the study did not account for the effect of the variables on performance. Ogutu and Mbula (2012) established that MNC of mixed ownership adopted certain strategies to a greater extent than purely owned MNC. The study failed to account for the effect of national culture on MNC performance.

Firm performance is closely linked to competencies however, with the growing significance of contingency factors in research, there exists a major research gap in accounting for the impact of moderating and intervening factors on this relationship. Most researchers have examined independent effects of competencies, knowledge management and culture on firm performance. Though the individual effect of the variables on performance has been studied, no known study has examined the integrated effect of the variables yet the joint effect exists and has a major impact on performance. This study sought to look at the variables together. Studies have also analyzed the effect of the relationship between the independent and dependent variables in various contexts. Yang (2010) looked at Technology firms in China; Shojie (2005) looked at subsidiaries of Croatian National Banks; Kagiri (2008) looked at commercial publishing Firms in Kenya. The current study addressed the relationship between the variables in the context of MNC operating in Kenya.

The current study also sought to address methodological gaps by incorporating a combination of various methods towards finding out the relationships between the independent and dependent variables. In relation to firm performance, most researchers have used a limited number of measures which are not objective enough to bring out the link among the study variables. In particular, they have not used the balanced score card approach to examine competencies alongside performance. This current study addresses this gap. It is in acknowledging this gaps that the study sought to establish the influence of psychic distance and knowledge management on the relationship between firm competencies and MNC performance in Kenya.

Consequently, the departure of this study from the previous ones was the inclusion of knowledge management and psychic distance as mediating and moderating variables that explain and influence the relationship between firm competencies and MNC performance. This study therefore attempted to answer the question, how is the relationship between firm competencies and MNC performance influenced by psychic distance and knowledge management?

1.3 Research Objectives

The broad objective of the study was to determine the influence of psychic distance and knowledge management on the relationship between firm competencies and firm performance. Arising from this objective, the specific objectives are:

- i. To establish the relationship between firm competencies and performance of multinational corporations in Kenya.
- ii. To determine the relationship between firm competencies and knowledge management of MNC's in Kenya.
- iii. To explore the influence of psychic distance on the relationship between knowledge management and performance of MNC's in Kenya.
- iv. To find out the influence of knowledge management on the relationship between firm competencies and performance of MNC's in Kenya.
- v. To establish the joint effect of firm competencies, knowledge management, and psychic distance on performance of MNC's in Kenya.

1.4 Value of the Study

The findings of this study give some insight on the mediating and moderating effects of knowledge management and psychic distance on the relationship between firm competencies and performance, thereby resolve the uncertainty of how firm competencies affect organizational performance. The study findings recognize that

performance is a function of how competencies and knowledge management are used to sustain competitive advantage. The interdependency of the study variables is an area of study that has not been well explored. Thus, this study presents an opportunity for expansion of theoretical and empirical literature on the relationship between firm competencies and performance. It will serve as a basis upon which the theoretical underpinnings of the study can be improved to further address the variables under study.

The theoretical contributions of the study are expected to provide a better understanding of the relative role of Resource Based View (RBV), Knowledge Based View (KBV), Psychic Distance Paradox and the diamond theory of national competitive advantage in MNC performance. The study determined that firms have competencies which facilitate increased performance. Thus the means by which firms acquire competencies, accumulate new knowledge and translate this into outcomes facilitates better performance. This study made a positive contribution to the RBV and KBV by confirming that competencies and knowledge management are useful in achievement of sustained performance. Since the mentioned theories have been confirmed to explain firm performance, managers will be expected to use the findings to expand new or existing theories in order to help enhance the performance of multinationals.

Managers and decision makers will thus be informed, and enabled to expound their understanding on the competency concept, which can build their organizations and enhance performance of multinational corporations. The results will also initiate more research into the role of psychic distance and knowledge management in organization

performance, which will provide insight on improved management practices by enabling manager's focus on various factors influencing multinationals performance.

The results of this study thus show important dimensions of the competence performance relationship that are critical to increased competitive advantage therefore forming the basis of improved strategic direction from within multinational corporations. The findings of this study serve as an extension of knowledge frontiers in the field of International Business. The context of the study is multinational corporations in Kenya and this provides a platform for comparison with MNC studies from diverse cultures thus expand the boundaries of knowledge and research.

Policy makers will make informed and effective decisions on the study variables. Multinational corporations contribute widely towards economic growth and prosperity of Kenya. The findings of this study give insight on how multinational corporations can sustain superior performance through applicable alignment of competencies and adopting knowledge management while sustaining competitive advantage. This study will give acumen on how MNC can improve and sustain economic growth thus assist policy makers to draft policies in support of growth of MNC's.

1.5 Structure of the thesis

This thesis comprises of six chapters. Chapter one introduces the study. It explains the context of the study, conceptualizes the study variables in the background and brings out the theoretical anchorage of the study. The variables of the study namely firm competencies, knowledge management, psychic distance and firm performance was briefly discussed. The chapter presents the research problem, research objectives and concludes by looking at the value of the study in theory, policy and managerial practice.

Chapter two discusses empirical and theoretical literature review of the study concepts giving the theoretical underpinning of the study. The chapter presents a conceptual model derived from literature that depicts the relationships among the study variables. The chapter concludes by giving a summary of the knowledge gaps.

Chapter three brings out the research methodology used in the study. It explains the research philosophy and research design adopted for this study. The population of the study is given. Data collection, validity and reliability of the instrument are discussed. The study outlines the operationalization of the study variables in line with existing literature. Finally data analysis techniques are elaboration to explain how data was analyzed.

Chapter four gives the response rate and an analysis of the findings after empirical tests. Tests for normality, homoscedasticity, heteroscedasticity and multicollinearity are presented. The chapter gives descriptive statistics in terms of means, standard deviation and one sample t-test. The chapter looks at factor analysis and study variable correlations using Pearson Product moment correlation analysis. The findings of the tests of hypotheses are interpreted using correlation analysis, simple, multiple and hierarchical regression analyses at 95 percent confidence level ($\alpha=0.05$). The results of the study are presented as model summary, the analysis of variance (ANOVA) and the beta coefficients of each independent factor.

Chapter five discusses the results of the study in line with existing literature to establish whether the results are consistent with previous studies. The discussions in this chapter center on the study findings, and how they compare with existing literature and theoretical foundations of the study. The chapter also brings out the importance of the findings to management in improving organizational performance.

Chapter six presents the summary of findings, conclusion, and recommendations for theory, policy and practice. The chapter also deliberates on the implications of study findings to practice. The chapter concludes by highlighting the limitations of the study and suggests areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of literature and research related to the variables depicted in the conceptual framework to explain the relationship between and among the study variables namely: competencies, knowledge management, psychic distance and firm Performance. The chapter summarizes gaps, identifies and presents contradictions in empirical literature and analyses the theories guiding the study. Finally, the chapter outlines the conceptual model and develops the hypotheses upon which the relationship of the variables will be tested.

2.2 Theoretical Foundations

Existing literature identifies a number of theories that explain performance and competencies. This section sought to employ a theoretical framework integrating ideas of the various theoretical streams in order to increase the understanding of the relationship between firm competencies and performance. The Resource Based View, Knowledge Based View, Psychic Distance and Diamond Theory of National Competitive Advantage form the theoretical framework upon which the study is anchored. These theories are consistent with the notion that competencies alone cannot account for differences in performance among MNC's.

2.2.1 Resource Based View

Underpinning most theoretical approaches to the development of firm competencies is the Resource Based View (RBV) of the firm (Barney, 1991). Resource Based View of the firm offers the theoretical argument that possession and deployment of unique resources and competencies provides sustainable competitive advantage that results in

abnormal profits over time (Barney, 1991; Petraf, 1993; Wenerfelt, 1984). According to this perspective, resources and competencies such as firm reputation, technological competencies and employee's skills level, have the potential to generate firm specific abnormal profits. According to Barney (1991) and Helfat (1991), the potential for firm resources and capabilities to yield abnormal returns depends on the effectiveness of management. Managing resources and skills (competencies) is therefore the key to sustained competitive advantage.

The basis of Resource Based View is that successful firms will find their competitiveness on the development of distinctive and unique competencies which may often be implicit or intangible in nature (Tees *et. al.* 1991). Further Barney (1991) contends that if all firms were equal in terms of resources, there would be no profitability differences among them. Therefore, a firm's performance is attributed to a unique collection of resources and capabilities that provide the basis of sustained competitive advantage so long as they are valuable, rare and difficult to imitate.

Resource Based View theory focuses on the creation or acquisition of unique, rare or specialized resources (Mosakowski, 1993), where firms turn these resources into sustainable competitive advantage for above average returns. According to Spender (1996), the firm is a collection of unique competencies and capabilities that influence the evolution and strategic growth of the firm hence explaining the difference in performance among firms. RBV theory suggests that firms achieve sustainable competitive advantage if they possess certain resources and if they effectively position these resources (Barney, 1991).

The RBV literature justifies the existence of differences in performance as a consequence of knowledge asymmetries (capabilities and competencies) and holds that firms should focus explicitly on knowledge as the ultimate resource (Kalling, 2003). RBV theorists (Prahalad & Hamel, 1990), generally agree that a firm's performance will be determined by crafting of its resources into unique firm competencies that will in turn lead to competitive advantage. This therefore implies that multinationals must possess specific characteristics that are capable of producing difficult to imitate competencies which determine the performance variation among competitors. This view agrees with Becker & Gerhat (1996) who argued that a synergetic effect rather than independent practices leads to competitive advantage.

The RBV regards a firm as a bundle of valuable, rare resources, skills and capabilities arguing that accumulating and utilizing these resources and skills determines the economic performance of the firm (Yaprak & Karademir, 2009). Further RBV stipulates that the fundamental source of a firm's superior performance is associated with the attributes that they possess which are rare, valuable and difficult to imitate. These attributes can generate competitive advantage which eventually leads to superior performance. Hence, firms in different industries are expected to exhibit differences in international performance due to the differences in their capabilities and resources.

The RBV theory has made significant contribution in the area of firm performance. However, it emphasizes on unique resources as forming the basis of sustained competitive advantage but is silent about other factors that may play a role in the growth of the firm. Further, RBV focuses more on competitiveness through

acquisition of valuable, rare resources. It fails to bring out the fact that different resource configurations can generate the same value for firms and this would not necessarily result in competitive advantage. RBV also emphasizes on sustained competitive advantage thus as a theory it may not be very useful to firms that are content with their competitive positions.

2.2.2 Knowledge Based View

The Knowledge Based View (KBV) perspective (Grant, 2002; 1996) examines how to effectively and efficiently conduct knowledge management. This approach considers firms as bodies that generate, integrate and distribute knowledge. According to the knowledge based view, competitive success is governed by the ability of organizations to develop new knowledge based assets that create core competencies (Pemberton and Stonehouse, 2000). KBV argues that knowledge is a firms most important and primary resource (Grant, 2002; Spender, 1996; McEvily & Chakravarthy, 2002). The KBV holds that the two predominant goals of the firm are the generation and application of knowledge (Spender, 1996).

Researchers adopting the KBV perspective highlight that the firm's future growth is dependent on the productive integration of knowledge resources and capabilities (Spender, 1996). This is in line with Barney (1991) and Kogut (1988), who argue that at the core of the KBV perspective is an organizations ability to replicate and exploit knowledge for its success. Hence, the KBV addresses the resources and capabilities and the transfer of critical knowhow within the organization as being paramount to creating sustained competitive advantage in high performance firms (Geus, 1988; Grant, 2002).

In the knowledge based view, knowledge is conceptualized as a resource that can be acquired, transferred or integrated to achieve sustained competitive advantage. Thus, emphasizing the strategic importance of knowledge as a source of competitive advantage. Kogut and Zander (1992) posit that what firms do better than markets is the creation and transfer of knowledge within the organization. Nonaka and Takeuchi (1995) complement the work of Kogut and Zander by providing a framework for understanding the structure for integrating individual and organizational knowledge. The authors agree that organizational knowledge should be understood as the process that amplifies knowledge created by individuals and crystallized as part of the firm's knowledge.

KBV considers the firm as a resource (knowledge) that can be organized to attain competitive advantage (Faulkner & De-Rond, 2000). However, this theory ignores other variables that may affect the performance of firms. The current study looked at knowledge management as influencing the performance of MNC's. It emphasized that firms can utilize knowledge management strategies as a way to gaining competitive advantage and hence obtain higher performance. While Knowledge Based View recognizes the fact that management is a process that integrates knowledge acquisition, application and dissemination for competitive advantage, it fails to underscore the significance of access to the resource and the underlying importance of the combination of specific resources in driving firms to competitive advantage.

2.2.3 Diamond Theory of National Competitive Advantage

The core of diamond theory of national competitive advantage lies in its approach to explaining why some nation's business firms succeed in international competition. Porter (1990) argues that four kinds of variables will have an impact on the ability of

firms to utilize resources to gain a competitive advantage. These are factor conditions, demand conditions, suppliers and related industries and firm strategy, structure and rivalry. Further that a nation can create advanced factor endowments such as skilled labour, a strong technology and knowledge base, government support and culture.

In the context of performance, the theory suggests that a country's factor endowments play a key role in determining its competitive advantage. Porter (1990) further contends that besides, advanced factors such as skilled labour, communication infrastructure and technology are crucial determinants of the capabilities and competitiveness of a nation. Demand conditions are important in stimulating domestic firms to undertake innovation and improve quality of products. This creates global competitive advantage over firms located where domestic pressure is less.

Suppliers and related industries of cost effective and quality inputs condition national advantage in an industry. Porter (1990) argues that government policy and actions as well as chance events are the secondary auxiliary variables in creating competitive and effective advantage of a nation. Domestic rivalry in the market also provides impetus to the creation and sustaining of competitive advantage in an industry. Porter's diamond model suggests that there are inherent reasons why some industries within nations are more competitive than others on a global scale. The diamond theory of national competitive advantage ignores the role of multinationals in influencing the economy of nations. Porter stresses on competitive advantage lying in the physical resources while ignoring the fact that competencies inherent within the organization can transform into competitive advantage. The argument is that the national home base of a firm provides specific factors that potentially create competitive advantage on a global scale. However this does not mean that the firm becomes internationally competitive even when the country is competitive.

2.2.4 Psychic Distance Theory

The psychic distance theory suggests that countries tend to begin their internationalization process in countries that are 'psychically' close. Vahlne and Wiedersheim (1973; 2009) describe psychic distance in terms of factors preventing the flow of information between suppliers and customers. Johnson and Vahlne (1977) delineate psychic distance as a firm's degree of uncertainty about foreign market resulting from cultural differences. Psychic distance is perceived as resulting from differences in local consumer preferences, culture and business systems between the home and foreign country (Dikova, 2009). The definition of psychic distance in this study follows those of Evans and Mavondo (2002), Dowling et al. (2011) and Dikova (2009) as the cultural and business differences between the home and foreign country.

Researchers suggest that psychically close countries are more easily understood than distance ones and offer more familiar operating environments (Evans and Mavondo, 2002). Thus firms that are psychically close tend to join forces in carrying out their business operations. The general underlying notion of psychic distance theory is that companies operating in psychically close countries will succeed in their international operations. Due to the high level of globalization, psychic distance between nations and countries is argued to have decreased significantly. However, national and business culture differences still exist and companies must take the differences into account in their international operations.

Psychic distance results from differences in culture and business systems between the home country and foreign country (Dikova, 2009). The outcome of these differences is reduced level of understanding of the foreign country's local market conditions. Evans *et al.* (2000) point out that the company's home country, international experience, business strategy and structure of decision making all affect the perceptions of the psychic distance. Thus differences in performance are driven primarily by the cultural and business differences.

Evans and Mavondo (2002) point out that when it comes to psychically distant markets, the psychic distance can in fact have a positive impact on organizational performance. Thus there is a robust link between psychic distance and performance. This study holds that psychic distance influences the performance of multinational corporations hence, multinationals must take into account the cultural distance factors in seeking improved performance.

Internationalization literature implies that psychically close countries are more similar and because similarities are easier to manage than differences, it is expected that businesses will achieve greater success in similar markets (Johanson and Vahlne, 1990; 1992). However, differences do not necessarily lead to unfavorable results and the perception that a market is similar does not guarantee that the operation will perform well. The following section explores the literature on the concepts of firm competencies, knowledge management, psychic distance and performance.

2.3 Empirical Studies

The nature and scope of firm competencies and its effect on performance has become an increasing popular research theme. Competencies are indicators of performance that provide the equipoise for competitive advantage of the firm. Competencies have thus been recognized as key indicators to sustained competitive edge. In every way, the foundation of strategic success relies on the effective management of an organizations knowledge asset. As organizations become increasingly aware that knowledge is among their most valuable strategic assets, they must re-evaluate the way in which they engage with the resource of knowledge for effective performance.

This study postulates that psychic distance may provide an appropriate framework to explain variation in organization performance in the international arena. Psychic distance continues to be empirically examined and studies have indicated it is a helpful predictor of firm performance in diverse markets (Mavondo *et al.*, 2000). The next section explores the relationship between the key variables under study by analyzing the empirical literature review.

2.3.1 Firm Competencies and Performance

Firm competencies are generally accepted as inputs to performance. Literature and theoretical perspectives indicate that competencies enhance a firm's success in international markets (Doole & Demack, 2006; Raja, 2005). However, research examining competencies and performance argue that the direct link between competencies and performance is too high a hurdle to ever resolve the debate over the appropriate use of competencies (Levenson, 2005). Further, Levenson (2005) argues that the challenge organizations face is how to demonstrate a direct link between competencies and performance. The author advises that to ascertain the link between

competencies and performance, researchers need to focus on intermediate outcomes that ultimately can or should impact on organization performance. Casselman and Samson (2007) view competencies as firm specific technologies and production related skills that with the support of capabilities lead to superior performance.

Researchers thus agree that competencies result from a combination of abilities as opposed to a single ability. Of particular relevance is the work by Adelaide and Carl (2001), which established that firms which shared unique capabilities internally and defended them from being imitated by competitors, sustained their competitive advantage over a much longer time period. This view is shared by Ansoff (2005) who concluded that a firm might not be successful in maintaining a competitive edge if it fails to develop competencies effective enough to compete within a competitive external environment. Horton (2000) agrees with Ansoff (2005) in his literature that organizations no longer define themselves as a collection of business units but as a portfolio of competencies.

These studies however did not consider that certain variables may significantly or otherwise contribute to the performance of firms. The current study attempts to address Levinson (2005) concerns that there is a need to focus on incorporating moderating and intervening variables that impact on the relationship between firm competencies and performance, and thus introduces knowledge management and psychic distance as moderating and intervening variables.

2.3.2 Firm Competencies and Knowledge Management

The new paradigm of knowledge has led firms to design strategies to cope with competition. Several scholars agree that the ability of a firm to generate and apply new knowledge is considered one of the main sources of competitive advantage. A number of researchers among them Raja (2005) suggest that an organization must bring together the two inter disciplinary concepts of knowledge management and firm competencies for it to perform better. This view is shared by Gorelick and Monsou (2005) who hypothesize that without synchronization of knowledge management and competencies, the organization would not succeed in long-term survival. Further, empirical studies by Gupta (2009) showed interdependence between knowledge management and competencies.

There has been a great deal of research explaining what makes knowledge management and firm competencies the critical practices for performance (Gorelick & Monsou, 2005; Raja, 2005). This is driven by the desire to give firms an edge in the market place. Tsoukas & Mylonopoulos (2004) assert that an organization that has the ability to create knowledge on an ongoing basis has developed a competence that is dynamic and unique. Smith *et al.* (1994) support the findings that knowledge management is critical to a range of organizational processes supporting competitive advantage.

The above research findings attested that a relationship does exist between firm competencies and knowledge management. These studies however did not explore knowledge management as a possible moderating variable on the relationship between firm competencies and performance, a gap which this study sought to fill.

2.3.3 Knowledge Management, Psychic Distance and Firm Performance

Research in knowledge management underscores the inseparable relationship between knowledge management and psychic distance (Davenport & Prusak, 2000; Von-Krogh, 2000; Nonaka& Takeuchi, 1995), while other studies describe cultural factors that impact knowledge management (De-Long & Fahey, 2000; Rastogi, 2000). Psychic distance is regarded as one of the most important contextual variable that impact on the knowledge management process in MNCs (Bhagat *et al.*, 2002; Chow, Deng & Ho, 2000; Li & Schullion, 2006; Simon, 2004).

The execution of cross-border knowledge transmission between companies or units located in dissimilar cultural contexts is more intricate and difficult than that between companies or units located in similar cultures (Bhagat *et al.*, 2002; Bresman*et.al.*, 1999). A number of researchers have made efforts to identify the link between psychic distance and performance. Researchers contend that national and business culture is one of the most important factors that influence cross-border knowledge transfer (Evans & Mavondo, 2002; Duan, Nie & Coakes, 2010; Wang *et. al.*, 2008). Hence, the importance of understanding the impact of psychic distance on knowledge management within MNCs is being given increasing recognition (Ogutu & Oloko, 2012). According to Lemken, Kahler and Rittenbruch (2000) national culture plays a vital role in sustaining knowledge management, while knowledge management is critical for cross border operations.

Johnson and Vahlne (1977) argue that a lack of knowledge about foreign markets and operations is an essential barrier to the development of international operations. From this argument it is possible to draw conclusion that knowledge also affects organizational performance in international markets. Johanson and Vahlne (1977)

believe that the lack of knowledge resulting from the psychic distance factors (differences in culture, business practices, language, education, and industrial development) hinders the decisions made regarding international operations. In addition they state that the main characteristics of international operations are comprised of the psychic distance factors.

Previous studies indicate that organization knowledge management is the main source of competitive advantage (Kogut & Zander, 1992; Prahalad & Hamel, 1990; Starbuck, 1992). Researchers also agree that understanding culture holds the key to successful knowledge management (Gupta & Govindarajan, 2000; Martin, 2000; Knapp & Yu, 1999). The writers reach consensus on the fact that culture is important in knowledge management because a good part of organizations knowledge has been learned as culture from older generations. This view is in line with Smith *et al.* (2005), who agree that organization routines are critical antecedents of knowledge management. MNC operate in different cultural environments therefore need to encourage knowledge related activities through creating environments for knowledge sharing. Davenport & Prusak (1998), Malhotra (2003), Tseng (2010) and Zack *et al.* (2009) have all reached consensus that culture plays a positive and encouraging role in knowledge learning, sharing and application.

Based on the above discussions, it can be expected that the specific cultural environment of the host country and its psychic distance from the home country will impact on MNC subsidiary roles in terms of knowledge transfer to and from the subsidiaries. However, very little research has been undertaken to understand the relationship. The current study proposed that psychic distance has a relationship with performance. It is also conceivable that knowledge management has a significant impact on performance.

2.3.4 Firm Competencies, Knowledge Management and Performance

Foregoing literature on firm competencies and performance give differing results with some showing positive relationship (Collins & Porras, 1996; Samson, 2007; Doole & Demack, 2006; Kagiri (2008), while others show negative (Hollenbeck & McCall, 1999; McKenna, 2002). While these studies have pointed out that organizations face the challenge of demonstrating a direct link between firm competencies and performance, less is known about the moderating and intervening variables that likely affect the relationship. Empirical findings give evidence that there exists a direct relationship between firm competencies and knowledge management (Raja, 2010; Jie-Yang, 2010; Nonaka *et al.*, 2000; Levit & March, 1998; Nonaka & Tekauchi, 1995). This is supported by Gorelick and Monsou (2005) who revealed in their studies that without the synchronization of knowledge management and competencies, the organization cannot succeed in the long term and remain competitive.

In order to integrate knowledge and performance, Boyle (2010) highlighted that any organization that has the ability to manage knowledge on an ongoing basis has the advantage of having developed a unique competence. Of particular importance is a study conducted on government departments in Malaysia by Raja (2005). The researcher articulates that government departments must explicitly link the strategy of competencies, knowledge management, and performance in order to increase profitability thus becoming capable of being a competent work force. The above discussions point out that firm competencies and knowledge management have an influence on performance. However, studies have not explored the effect of knowledge management on the relationship between firm competencies and performance, a gap which this study intends to fill. This study goes further to suggest that knowledge management moderates the relationship between firm competencies and performance.

2.3.5 Firm Competencies, Knowledge Management, Psychic Distance and Performance

Research highlights that the interconnectedness and coexistence of firm competencies, knowledge management and psychic distance leads to higher performance (Casselman & Samson, 2007; Horton, 2000). Yet, literature reveals that most researchers have independently examined these variables relationship with performance (Levinson, 2005; Ansof, 2005). No known study has examined knowledge management and psychic distance as moderating or intervening variables that may affect the relationship between firm competencies and performance. The extant literature shows positive relationship between competencies and performance. On the other hand, several researchers have reported results that indicate negative relationship on this association.

Individual researchers have addressed this relationship independently using subjective, objective or combined performance measures (Venkatraman & Ramanujam, (1986). Studies have also singled out variables as potential moderators in the competence- performance relationship (Raja, 2010; Mosoti, 2010). The finding reviewed relating to the relationship between competencies and performance had varied interpretations. This study incorporated competencies, knowledge management and psychic distance in an integrated structure and sought to empirically test the joint effect of the variables on the performance of MNC in Kenya.

Research supports the notion that psychic distance has an impact on knowledge management while competence is critical in attaining Performance. Firm competencies cannot achieve maximum performance in the absence of knowledge management. Drawing insights from the Resource Based View, the interaction of the variables will result in more complex interdependencies which are harder to imitate than independent relationships. The current study did not identify a study that has examined the joint effect of firm competencies, cultural distance and knowledge management on performance.

2.4 Summary of Knowledge Gaps

The table below shows a summary of the empirical studies and knowledge gaps that were reviewed in the literature. This summary forms the basis of the problem statement and the conceptual framework for this study.

Table 2.1: Summary of knowledge gaps

Study	Study Focus	Methodology	Methodological gaps	Findings	Knowledge Gap	Focus of proposed Study
Shojie Cui David A. Tamer S. Cavusgil (2005)	131 Croatian subsidiaries of the Croatian National Banks. Variables- Knowledge management capabilities, MNC subsidiaries	-Seven point Likert type scale, -Confirmatory factor analysis (CFA)	The current study introduces regression analysis as measures of addressing the relationship between the variables.	There is a significant positive relationship between a subsidiaries knowledge management capability and its performances	The study did not address other variables that may influence the relationship between knowledge management and performance	The study addresses this gap by introducing psychic distance as a variables that may affect the relationship between knowledge management and performance.
Kagiri, M. (2008)	Commercial Publishing Firms in Kenya Variables- Know Management strategy, firm competencies, performance	Triangulated research approach	The researcher used regression analysis in the study as well as factor analysis	There is a significant positive relationship between knowledge management strategy and organization competencies	The study focused on the individual direct effect of knowledge management strategies on organization performance	The study introduces psychic distance and knowledge management as variables affecting relationship between competencies and performance
Raja S. and Raja K. (2010)	Administrative and diplomatic officers of 28 Ministries in Malaysia government Variables -KM Practices , Firm Competencies and organization performance	-Use of scale developed by Darroch J. (2003) on core competencies -Measurement scale on core competencies adopted from Raja	The study used parametric measures as well as factor analysis	Knowledge management, firm competencies and Organizational performance are important criteria for improving performance of managers and government systems.	The study failed to look at underlying mechanisms that would affect relationship of the variables	The study introduces moderating and intervening variables that could affect the relationship between firm competencies and performance

Table 2.1: Summary of Knowledge gaps Continued...

Author	Study Focus	Methodology	Methodological gaps	Findings	Knowledge Gap(s)	Focus of proposed Study
Jie Yang (2010)	500 High technology firms in China Variables - Strategy Knowledge management, Competency Performance	Hierarchical moderated regression to test hypotheses -Seven point Likert type scale	The departure of the current study from the previous ones is the use of regression and factor analysis to address the knowledge gaps	Performance is related to knowledge management strategy and positively moderated by reward systems, innovation and knowledge sharing.	The study did not look at the impact of knowledge management on competencies and its overall impact on performance	The current study intends to address the relationship between knowledge management and competencies and its impact on the relationship between competencies and performance
Mosoti and Masheka (2010)	16 nonprofit and 53 for profit firms Variables- Knowledge management, Technology, Organization Change	-Descriptive statistics	The departure of the current study from the previous ones is the introduction of parametric measures of analysis	Organizational Culture hobbles the effectiveness of KMP in organizations in Nairobi	The study looked at the relationship between knowledge management and culture but did not address the link to performance.	The current study focuses on the joint effect of psychic distance, competencies, knowledge management and performance.
Sabah Agha, ManarJam hour (2011)	77 managers in the paint industry in the UAE Variables- Core competencies, firm performance	-Questionnaire - descriptive statistics mean, standard deviation - Five point Likert type scale	The current study uses regression analysis in addition to descriptive statistics	Competencies have strong impact on firm perform thus, managers need to manage each aspect of competencies to increase performance	The study did not address variables that may intervene the relationship between firm competencies and performance	This study introduces psychic distance and knowledge management as moderating and mediating variables in the relationship

Table 2.1: Summary of Knowledge gaps Continued...

Author	Study Focus	Methodology	Methodological gaps	Findings	Knowledge Gap(s)	Focus of proposed Study
Rasula, J., Basilj, V. and Indihar, M. (2012)	329 Companies in Slovenia, Croatia with more than 50 employees Variables- firm Performance, Knowledge management	Structural equation modeling (SEM) to empirically verify hypotheses -Single factor analysis	The departure of the current study from the previous is that it introduces regression analysis	Organization elements such as culture have a positive impact on knowledge management and Performance	The study fails to address the role of culture in the relationship between knowledge management and Performance.	The current study addresses this gap
Oloko M. and Ogutu M. (2012)	60 MNC operating in Kenya. Variables- Power Distance, employee Empowerment, MNC Performance	Multiple Regression Analysis Five point Likert type Scale	The departure of the current study from the previous ones is that incorporates factor analysis	Power distance moderates the relationship between employee empowerment and MNC performance in host countries	The study did not address psychic distance and knowledge management as variables influencing firm performance	The current study addresses psychic distance and knowledge management as variables influencing firm performance
Ogutu M., Mbula C. (2012)	40 Multinational Corporations operating in Kenya Variables- Competitive strategies, Competition	Use of questionnaires	The current study uses regression analysis in addition to the questionnaire that analyses data on a five point likert type scale	MNC of mixed ownership adopt certain strategies to a greater extent than the purely owned MNC	The study does not address the psychic distance impact of MNC on performance	The current study introduces the psychic distance and its effect on performance of the MNC

Source: Researcher, 2015

Studies on firm competencies, knowledge management, psychic distance and firm performance were reviewed with an aim of synthesis. Gaps were identified and tabulated as per table 2.1 above. The gaps formed the statement of the problem and conceptual framework of this study. The table also addressed the focus of the proposed study in an attempt to address the knowledge gaps.

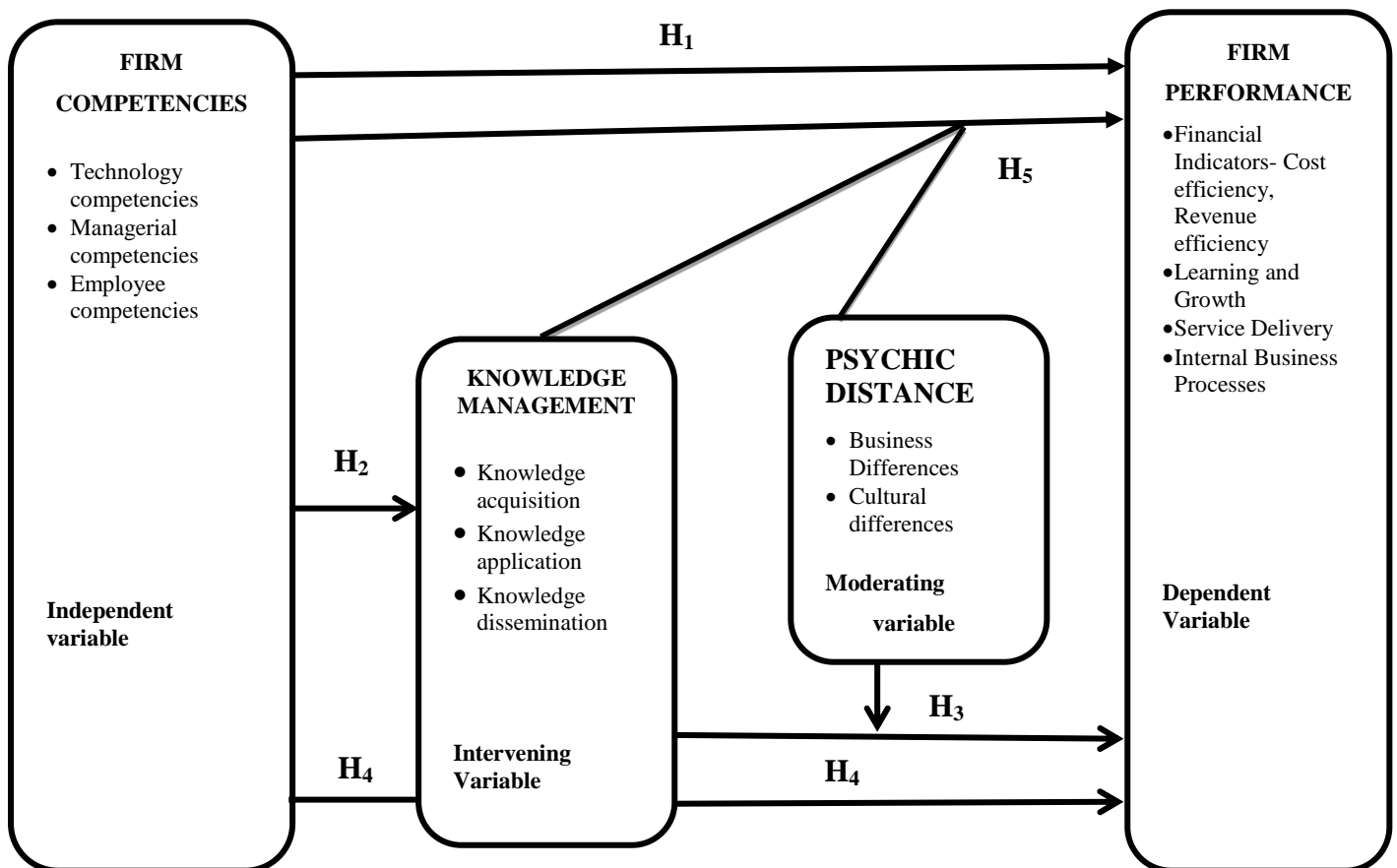
2.5 Conceptual Framework

The study focused on integrating firm competencies, knowledge management and psychic distance with a view to explaining firm performance. The model brought out the moderating effect of knowledge management and intervening role of psychic distance on the relationship between firm competencies and performance. The diagram presented below conceptualizes the relationship between the variables that were under study. Achieving a competitive advantage position and enhancing firm performance relative to their competitors are the main objectives that business organizations strive to attain. International businesses and MNC's have for a long time achieved and sustained their competitive advantage via various management practices and approaches. Competencies are critical to successful firm performance, knowledge management and psychic distance influence competencies and subsequently impact on performance.

The conceptual framework shown in figure 2.1 was founded upon theoretical foundations of the RBV, KBV, Psychic Distance and Diamond Theory of National Competitive Advantage. Barney's (1991) RBV theory proposes that competencies alone cannot account for the differences in performance among firms as certain non-observable factors impact on the relationship. KBV focuses on knowledge as playing

a critical role in competitive advantage while porter’s diamond theory puts forth that there are inherent reasons why some industries on a global scale are more competitive than others. The author attributes this competitive advantage to factor endowments that are unique to a firm. Psychic distance plays an intervening role on the relationship between knowledge management and performance. Knowledge management plays a moderating role on the relationship between firm competencies and performance. The integrative effect of the variables and their significant impact on performance is greater than the individual effects on performance.

Figure 2.1: Conceptual Model



Source: Researcher (2015)

From the conceptual framework illustrated in figure 2.1, firm competencies were hypothesized as the primary drivers of performance. It was also hypothesized that knowledge management affects this relationship such that firm competencies influence firm performance with knowledge management moderating the relationship. It was further hypothesized that psychic distance has an intervening effect on the relationship between knowledge management and performance. Finally testing for the joint effect of firm competencies, knowledge management and psychic distance on performance was hypothesized under H₅.

2.6 Conceptual Hypotheses

Based on the above conceptual framework and the research objectives, the following hypotheses were formulated.

- H₁** Firm competencies have a significant influence on performance of MNC.
- H₂** Firm competencies and knowledge management have a significant relationship.
- H₃** Psychic distance has a moderating effect on the relationship between knowledge management and performance of MNC's.
- H₄** Knowledge management has an intervening effect on the relationship between firm competencies and performance of MNC's in Kenya.
- H₅** The joint effect of firm competencies, knowledge management and psychic distance on Multinational Corporation's performance is different from the individual effects of each of the variables.

The study aimed at addressing the integrated effect of firm competencies, psychic distance and knowledge management with a view of explaining whether the integrated effects of the variables influenced firm performance. The study proposed that the integrative effect of the variables and their significant impact on performance is greater than the individual effects on performance.

2.7 Chapter Summary

The chapter reviewed the theoretical perspectives used to explain various aspects of firm performance used in the study. Each of the theories namely the Resource Based View, Knowledge Based view, Diamond Theory of National Competitive Advantage and Psychic Distance theory made a significant contribution to understanding the performance concept. The study further reviewed the variables relationship with performance. Literature revealed that each of the variables independently affect performance positively. A review of the theoretical frameworks allowed the study to draw assessments between each of the perspectives relationships with the variables under study. The chapter concluded with the conceptualization of the hypotheses into a framework.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents aspects of research methodology used in the study. In particular the section discusses the research philosophy and design, population of the study, methods of data collection of the data, data collection instrument, operationalization of the research variables, tests of validity and reliability and analysis of the research findings.

3.2 Research Philosophy

Research philosophy articulates the development of assumptions concerning dimensions. This contrasting views form the basis of distinct philosophical orientations delineated by assumptions that shape the way in which people view abstractions. There are two widely accepted philosophical orientations in the social sciences research, positivism and phenomenology.

Phenomenological approach assumes existence of multiple realities that can only be studied holistically and the researcher is a participant observer. Irungu (2007) contends that the phenomenological approach is qualitative in nature, focuses on the researcher's perception, relies on experience and avoids generalization based on an existing theory. The phenomenological approach involves obtaining data, analyzing it, and making conclusions regarding the nature and strength of the relationships among the variables based on empirical evidence. It is based on the premise that knowledge is subjective, focuses on immediate experience, personal knowledge and individual perceptions (Saunders, Lewis and Thornhill, 2007).

Positivism philosophy seeks facts of social phenomena with little regard for the subjective status of individuals. The philosophy maintains that knowledge should be based on real facts and not abstractions so that it is predicted on observations and experiment (Comte & Bridges, 1965; Kuhn, 1996). The approach attempts to gain predictive and explanatory knowledge of the external environment through use of theories that explain relationships. Under this paradigm, theoretical models can be developed that are generalizable to explain cause-and-effect relationships (Thornhill, 2007). It therefore allows for the operationalization of various theoretical concepts in the conceptual frameworks as well as generalization of the results.

This study was guided by the positivist philosophical approach. The study investigated theoretical basis of firm competencies, knowledge management, psychic distance and firm performance. It began from hypothesized theories discerned from previous studies. Theories were tested using primary and secondary data obtained from multinational corporations in Kenya. In line with the positivism paradigm, the study variables were disintegrated into measurable units.

3.3 Research Design

The study used a descriptive cross-sectional survey. A descriptive cross sectional survey helps in discovering associations among different variables (Cooper and Schindler, 2006). The descriptive cross sectional survey allows researcher the opportunity to capture a population's characteristics and test hypotheses. The researcher has no control on the variables thus cannot manipulate them making it inappropriate to use other research designs such as experimental research design (Kothari, 2003). The cross-sectional survey was considered appropriate for this study

due to its ability to collect data to make inferences about a population of interest. At the same time, the design facilitated standard data collection that enabled comparison across the respondents. The cross-sectional survey collects data to make inferences about a population of interest and have been described as snapshots of the populations at a specific point in time from which researchers establish whether there is a significant association among study variables.

The design enabled the researcher capture data while minimizing temporal effort of the study variables so as to interpret relationship and draw conclusions. Further, this design offers the researcher an opportunity to test hypotheses quantitatively and qualitatively. This has been used in similar studies. Local studies which have used the descriptive cross sectional survey research design include (Munyoki, 2007; Awino, 2011; Thuo, 2011 and Kinoti, 2012).

3.4 Population of the Study

Population of the study consisted all multinational firms operating in Kenya. (Appendix 3). These firms were one hundred and four in number. The study targeted multinational corporations as a result of growing interest in MNC performance due to their contribution to economic growth and as a result of liberalization.

Multinational corporations were specifically targeted for the survey as they represented the various sectors of the Kenyan economy which included agriculture, manufacturing, banking, automobile, pharmaceutical, Trading, Information Communication Technology, finance and audit. For multinational companies to be successful, they must be responsive to the needs of the home or host country in which they carry out their operations.

3.5 Data Collection

Both primary and secondary data were used in the study. Primary data were obtained using a semi structured questionnaire (Appendix 2) that consisted of five sections namely: general information, competencies, knowledge management, psychic distance and performance. The questionnaire contained both structured and unstructured questions. Data was collected on a five point Likert type scale that ranged from 5 very large extent to 1 not at all.

The questionnaires were administered to the top management (preferable the CEO, Finance Director and Human Resource Manager). The researcher relied on the top management as they were assumed to have a thorough understanding of the entire organization. According to Hambrick and Mason (1984), the organizations are a reflection of its top managers and therefore top management should provide reliable information. Only one respondent was interviewed in each firm. Previous researchers have supported the use of numerous informants, however, other researchers have found that single respondents per firm provide data that is as reliable as multiple respondents (O'cass *et. al.*, 2004).

The questionnaire was administered through a drop and pick later method. A letter of introduction explaining the purpose of data collection accompanied the questionnaire. The letter sought to assure the respondents of ultimate confidentiality in the use of the data collected. The primary data addressed the data related to the constructs of competencies, psychic distance and knowledge management.

Secondary data, particularly three year historical data on firm on firm performance was sourced from company's annual reports and corporate business plans as well as the five point Likert type scale. This included data on net profits and sales turnover. The secondary data addressed constructs of performance.

3.6 Operationalization of Study Variables

This section describes the operationalization of the research variables depicted in the conceptual model. Operationalization facilitates reduction of abstract notions of constructs into observable behavior or characteristics that can be measure (Sekaran, 2000). Different variables were operationalized and measured using different indicators anchored on a five point likert type scale ranging from 1=Not at all to 5= Very large extent. The Likert type scale is used as a psychometric response scale to responses from respondents on the extent to which they agree or disagree with a set of statements. Likert scales are widely used to capture that which is difficult to measure or data addressing sensitive topics such as qualitative data.

The variables in this study; organization competencies, knowledge management, psychic distance and performances were operationalized as guided by previous studies. The independent variable of the study, firm competencies was operationalized in line with Casselman and Samson (2007) who described competencies as firm specific technologies, managerial competencies and employee competencies.

In this study, the dependent variable was firm performance. A review of extant literature revealed an expansive view of performance measures that guided operationalization of the variables. Several researchers have divergent views on the appropriate measures of firm performance. Hence different dimensions are considered. Hult *et al.* (2007) reiterates that a performance-measurement framework should focus on multiple indicators and multiple data sources, for the international arena. To measure firm performance, this study adopted an organization assessment to measure the MNC's cost and revenue efficiency and financial viability adopted from Kaplan and Norton's BSC.

The study adopted subjective measures of performance to supplement objective data that was difficult to collect from respondents who were reluctant to disclose actual performance. Service delivery was operationalized through overall customer satisfaction in relation to product innovativeness. The learning and growth scale analyzed the employee skills, competencies, growth and retention while the IBP measurement was geared towards assessing the right processes and relevant skills. Firm performance was measured using Kaplan and Norton (1996), BSC that advocates for both financial and non-financial measures. The financial measures included Return on Assets (ROA), Return on Equity (ROE) and Dividend Yield (DY), collected from secondary data while the non-financial measures included service delivery, organization learning and growth and internal business process. These were measured on a five point Likert type scale.

The moderating variable, knowledge management was defined in terms of knowledge acquisition, knowledge application and knowledge dissemination. Shi (2010) stated that knowledge application is the core element of knowledge management. Operationalization was done in line with the knowledge management process. The process was defined to improve competitiveness and operationalized in line with the basic dimensions of knowledge management process (Gold *et. al.*, 2001). Knowledge management was assessed for effectiveness at each step of the knowledge management process.

The intervening variable psychic distance focused on business differences and cultural differences and was defined as per scales adopted from Kogut and Sing (1988) based on Hofstede (1980) cultural dimensions. This study further used Evans *et.al.* (2000) conceptualization of the psychic distance concept as determined by cultural and business differences. According to Evans et al. (2000), psychic distance is defined as a perceived degree of similarity or difference between home and foreign market regarding the cultural and business differences. A summary of operationalization of variables is presented in Table 3.1.

Table 3.1: Operationalization of Study Variables

Variable	Operational definition	Indicators	Measurement	Questionnaire Item
Firm Performance (Dependent Variable)	i) Financial Indicators Cost efficiency and Revenue efficiency	ROA (Net income divided by total assets)	- Profit company earns in relation to its overall resources. -Ratio Scale	5.2
		ROE (Net income divided by issued shares)	What the company makes for each shilling invested. -Ratio Scale	5.2
		DY (Dividend per share divided by market price per share)	-Amount paid out as dividends per year relative to its share price -Ratio Scale	5.2
	ii) Service Delivery- extent to which the organization values its consumers	-Loyalty of customers -Customer retention rate - Customer satisfaction rate	Five Point Likert Type Scale Interval Scale	5.(1-4)
	iii) Learning and Growth- does the company engage in continuous learning and improvement	-High employee retention rate -Job satisfaction -Training and learning opportunities	Five Point Likert Type Scale Interval Scale	5. (5-8)
	iv) Internal Business Processes- how well is the business running, do services meet stakeholders expectations	-Process alignment -Correct level of expertise for jobs -Rate of duplication of activities per function	Five Point Likert Type Scale Interval Scale	5. (9-12)

Table 3.1: Operationalization of Study Variables Continued...

Variable	Operational definition	Indicators	Measurement	Questionnaire Item
Firm competencies (Independent Variable)	Technological competencies- the firm's ability to transform knowledge into innovations	-Number of innovations in year -Technological skills of employees -Rewards for innovation - On the job training	Five Point Likert Type Scale Interval Scale	2. (1-4)
	Managerial competencies- the ability to empower employees and enhance their commitment to work	-Qualifications of managers -Experience of managers -Working towards common purpose -Cooperation and exchange of ideas	Five Point Likert Type Scale Interval Scale	2.1 (5-8)
	Employee Competencies- knowledge, skills and attitudes to work	-Highly knowledgeable employees -Learning organization - Highly skilled employees	Five Point Likert Type Scale Interval Scale	2.1 (9-12)
Psychic Distance (Moderating Variable)	Business differences- variances in economic environment, business practices and industry structure of home and foreign markets	-Firms internal experience -Firm structure of decision making -Business practices -legal and political systems, structures	Five Point Likert Type Scale Interval Scale	3. (1-4)
	Cultural differences- socio cultural differences between the home and host country in terms of language, environmental differences	-International experience of the firm's management -managements perception and understanding of foreign market -cultural differences that present barriers to market operations	Five Point Likert Type Scale Interval Scale	3. (5-7)

Table 3.1: Operationalization of Study Variables Continued...

Variable	Operational definition	Indicators	Measurement	Questionnaire Item
Knowledge management (Mediating Variable)	Knowledge Acquisition-acquiring information through formal and informal means	-Extent of new knowledge acquired -employee knowledge relevance to their skills	Five Point Likert Type Scale Interval Scale	4. (1-4)
	Knowledge Application-using the knowledge acquired to enhance performance	-Use of knowledge to build competitive capacity -Knowledge is an asset to the firm -Use of new knowledge for innovations	Five Point Likert Type Scale Interval Scale	4. (5-8)
	Knowledge Dissemination-sharing of knowledge learnt	-Knowledge sharing within the firm -Documenting and transferring of knowledge -Capacity building in the organization	Five Point Likert Type Scale Interval Scale	4. (9-11)
	Managerial competencies-the ability to empower employees and enhance their commitment to work	-Qualifications of managers -Experience of managers -Work towards common purpose -Cooperation and exchange of ideas	Five Point Likert Type Scale Interval Scale	2. (5-8)
	Employee Competencies-knowledge, skills and attitudes to work	-Highly knowledgeable employees -Learning organization - Highly skilled employees	Five Point Likert Type Scale Interval Scale	2. (9-12)

Source: Researcher- 2015

3.7 Reliability Test

Reliability is the extent to which results are free from error hence yield consistency over a period of time (Balta, 2008; Muganda, 2010). Reliability testing measured the internal consistency of each variable under study. Cronbach alpha coefficient was used to test the measurement scales in order to ascertain the reliability of the instruments of data collection that were used in the study. Cronbach alpha coefficient ranges from zero to one and indicates how well the measurement items are positively relate to one another. The closer the Cronbach alpha coefficient was to one, the greater was the internal consistency of the items addressed in the Likert type scale.

Different researchers use different Cronbach alpha cut-off points. Field (2000) considers a cut-off point of 0.6 and higher as adequate. Lower thresholds have sometimes been used in literature. This study used constructs with a Cronhach alpha coefficient greater than 0.7 as recommended by various studies (Nunnaly, 1978, 1994; Polgar& Thomas, 2009; Bland & Altman, 1997) and used by previous researchers (Mugenda, 2003; Irungu, 2007; Kagiri, 2008; Awino 2011).

The cronbach's alpha reliability coefficients contained on table 4.12 indicate a high level of reliability of the instrument with the values 0.795 for the five items and 0.850 for the thirteen items. This is above the acceptable minimum value of 0.50 (Cronbach, 1951) and above the 0.7 value recommended by (Nunnaly, 1978, 1994; Bland and Altman, 1997; Polgar and Thomas, 2009). The internal consistency measure used was therefore considered sufficiently high to have measured the study variables.

The research further adopted items that had been tested for reliability by the researcher. The questionnaire was pretested using five multinationals randomly selected from the list but dissimilar to the sample used in the study. This was done to anticipate any comprehension of problems. The pre-testing also assessed whether the questions measured what they were intended to measure.

3.8 Validity Test

Validity refers to the ability of an instrument to be accurate and trust-worthy in measuring what it is intended to measure (Mugenda, 2003). The current study focused on content validity that was tested through relating the concepts under study to the questionnaire. This ensured the concepts included adequate representative set of questions in the questionnaire. Content validity was ensured through the guidance of expert opinion (Awino, 2007).

The researcher conducted a pilot test on a sample of respondents from five Multinational Corporations to check for weaknesses in design and development of the questionnaire. The questionnaire was pre-tested using this sample of respondents in order to establish whether the questions therein measured the expected theorized variables contained in the study conceptual framework. The pretested multinational corporations did not form part of the target population as this would result in assessment biases. The questionnaire was then adjusted on the basis of the findings of the pilot test. The questionnaire was also discussed with experts in the field of international business and adjusted accordingly.

Finally factor analysis using principal component analysis (CPA) was conducted. Varimax rotation was used to confirm underlying dimensions of the predictor variables. CPA established the elements measuring the variables under study, avoiding the highly correlated variable thus increasing reliability of the research instrument. A varimax rotation was applied to minimize dispersion of loading within components in order to load fewer numbers of variables onto each other. Only items with Eigen value greater than one were loaded and a scree plot subsequently extracted. (Fig 4.3).

3.9 Data Analysis

Data was analyzed through a combination of both descriptive and inferential statistics. Descriptive statistics was conducted to obtain an understanding on the demographic characteristics of the respondents. The relationship between the variables was investigated through hypotheses testing. To test the hypotheses, correlation and regression analysis were computed to determine the relationship among the variables. Coefficient of determination (R^2) was used to establish the amount of variation among the study variables. The study used regression analysis to analyze the combination of the variables.

Hypotheses one and two were tested using simple regression analysis. A correlation analysis was done to establish the relationship between the study variables. Hypotheses three and four were tested using hierarchical regression analysis that sought to test the moderating and intervening effect of the variables on the relationships. Hypothesis five that looks at the joint effect of the variables on the dependent variable was tested by use

of the multiple regression analysis. A Pearson product moment correlation (r) analysis was used to determine direction of association among variables.

The general model to predict firm performance index was represented by the following model: *Performance = Firm Competencies + Knowledge Management + Psychic Distance.*

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_1$$

Where: Y is the independent variable and is a linear function of X₁, X₂, X₃ plus ε_1

After determining Firm Performance,

Objective One: Establish the relationship between firm competencies and performance of multinational corporations in Kenya.

Hypothesis One: Firm competencies have no significant influence on performance of Multinational corporations in Kenya will be modeled as a linear regression as below:

$$Performance = f(\text{Firm competencies}) \text{ therefore, } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: β_0 = intercept

Y = Performance

$\beta_1, \beta_2, \beta_3$ are beta coefficients of Performance

X₁, X₂, X₃ represents dimensions of firm competencies

ε is the error term

Objective two: Determine the relationship between firm competencies and knowledge management of multinational corporations in Kenya.

Hypothesis two: Firm competencies and knowledge management have no significant relationship will be modelled as:

Knowledge management = f (Competencies) therefore $KM = \beta_0 + \beta_1 X_1 + B_2 X_2 + B_3 X_3 + \varepsilon$

Where: B_0 = intercept

KM= Knowledge management

B_1, B_2, B_3 are beta coefficients of Firm Competencies

X_1, X_2, X_3 represents dimensions of knowledge management

ε is the error term

Objective three: Determine the influence of psychic distance on the relationship between knowledge management and performance of multinational corporations in Kenya.

Hypothesis three: Psychic distance does not have a moderating effect on the relationship between knowledge management and performance of Multinational Corporations in Kenya will be modelled as:

Performance = f (Psychic Distance + Knowledge management)

$Y = \beta_0 + B_1 Z_1 + B_2 Z_2 + B_3 Z_3 + B_4 X_1 + B_5 X_2 + B_6 X_3 + B_7 Z_4 X_4 + \varepsilon$

Where: B_0 = intercept

Y= Performance

$B_1, B_2 \dots B_7$ represent beta coefficients of Knowledge Management

X_1, X_2, X_3 represent dimensions of Knowledge management

$Z_1 = X_1 X_5, Z_2 = X_2 X_5, Z_3 = X_3 X_5$

X_5 represents psychic distance

ε is the error term

Objective four: Determine the influence of knowledge management on the relationship between firm competencies and performance of MNC's in Kenya.

Hypothesis four: Knowledge management does not have an intervening effect on the relationship between firm competencies and performance of multinational corporations in Kenya will be modeled using Hierarchical regression analysis as follows:

Performance = f (Firm competencies + Knowledge management)

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \text{ (Full Model)}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \text{ (Reduced Model)}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \text{ (FAIL)}$$

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \text{ (PASS)}$$

$$Y = \alpha_1 X_4 + \alpha_2 X_5 + \alpha_3 X_6 + \varepsilon \text{ (PASS)}$$

Where: B_0 = intercept

Y = Performance

B_1, B_2, B_3, B_4 are beta coefficients of H_4

X_1, X_2, X_3 represents dimensions of firm competencies

X_4 - represents knowledge management

ε is the error term

Objective five: To establish the joint effect of firm competencies, knowledge management, and psychic distance on performance of MNC's in Kenya

Hypothesis five: The joint effect of firm competencies, knowledge management and psychic distance on performance is different from the individual effects of each of the variables will be modeled using multivariate regression analysis as follows:

Firm performance = f (Firm competencies + Knowledge Management + Psychic distance)

$$Y = \beta_0 + \beta_1 Z + \beta_2 Z_1 + \beta_3 Z_2 + \varepsilon$$

Where:

Z indicates knowledge management comprising knowledge acquisition, application and dissemination

Z₁ indicates firm competencies comprising technological, managerial and employee competencies

Z₂ indicates psychic distance comprising cultural and business differences

ε is the error term

Z, Z₁, Z₂ predict Y

$$R_1^2 + R_2^2 + R_3^2 + R_4^2 + R_5^2 < R^2, \text{ where } 0 < R^2 < 1$$

Where $R_1^2 = Y = \beta_0 + B_1 X_1 + \varepsilon, \dots, R_5^2 = Y = \beta_0 + B_5 X_5 + \varepsilon$; ε is the error term

Where:

Where R_1^2 is a measure of goodness of fit

Table 3.2 Objectives, Hypotheses and Analytical Techniques

Objective	Hypothesis	Analytical Technique	Interpretation
<p>Objective one- To establish the relationship between firm competencies and performance of MNC's in Kenya</p>	<p>Hypothesis 1- firm competencies have a significant influence on performance of MNCs</p>	<p>Linear regression analysis Performance = f (Organization competencies)</p> $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ <p>Where : B_0 = intercept Y= Performance B_1, B_2, B_3 are beta coefficients of H_1 X_1, X_2, X_3 represents dimensions of competencies ϵ is the error term</p>	<p>R^2 to assess how much of the dependent variables variation is due to changes in the independent variable.</p> <p>$R^2 \geq 0.5$ then there is a significant relationship where $R^2 \leq 0.5$ then there is no significant relationship</p> <p>Conduct the F test (Analysis of Variance) to assess the overall significance of the model</p> <p>If B_i, where $i=1,2,3$ is significant then x_i is significant in explaining Y. F test will help to assess the overall robustness and the significance of the simple regression</p> <p>Conduct t test to determine the individual significance of the model</p>
<p>Objective two- To determine the relationship between firm competencies and knowledge management</p>	<p>Hypothesis 2- Firm competencies and knowledge management have a significant relationship</p>	<p>Correlation analysis Knowledge management =f (Competencies)</p> $KM = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ <p>Where : B_0 = intercept KM= Knowledge management B_1, B_2, B_3 are beta coefficients of H_2 X_1, X_2, X_3 represents dimensions of firm competencies ϵ is the error term</p>	<p>If B_i, where B_i where $i=1,2,3$ is significant then x_i is significant in explaining KM</p> <p>-T test will help to determine individual significance of the relationship</p> <p>-R^2 shows how much of the dependent variable is due to its relationship with firm competencies.</p>

Table 3.2 Objectives, Hypotheses and Analytical Techniques continued...

Objective	Hypothesis	Analytical Technique	Interpretation
<p>Objective three- To explore the moderating effect of psychic distance on the relationship between Knowledge management and Performance</p>	<p>Hypothesis three- Psychic distance has a moderating effect on the relationship between Knowledge management and Performance of MNCs</p>	<p>Hierarchical regression analysis Performance= f(Knowledge management + Psychic distance) $Y = \beta_0 + \beta_1 Z_1 + \beta_2 Z_2 + \beta_3 Z_3 + \beta_4 X_1 + \beta_5 X_2 + \beta_6 X_3 + \beta_7 Z \cdot X + \epsilon$ Where : B_0 = intercept Y= Performance B_1, B_2, \dots, B_7 represent beta coefficients of H_3 X_1, X_2, X_3 represent dimensions of Knowledge management $Z_1 = X_1 X_5, Z_2 = X_2 X_5, Z_3 = X_3 X_5$ X_5 represents psychic distance ϵ is the error term</p>	<p>If B_7 is significant then $Z \cdot X$ is a moderator in the relationship between Knowledge management and performance</p> <p>Coefficient of determination (R^2) will reveal the effect of the strength of the relationship between psychic distance and performance.</p> <p>Conduct t test to determine the individual significance of the model</p>
<p>Objective four- To determine the mediating effect of knowledge management on the relationship between firm competencies and performance</p>	<p>Hypothesis four- Knowledge management has a mediating effect on the relationship between firm competencies and performance of MNCs</p>	<p>Hierarchical regression analysis Performance= f (Firm competencies+ Knowledge management) $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ (Full Model) $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ (Reduced Model)</p> <p>$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ (FAIL) $Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ (PASS) $Y = \alpha_1 X_4 + \alpha_2 X_5 + \alpha_3 X_6 + \epsilon$ (PASS)</p> <p>Where : B_0 = intercept Y= Performance B_1, B_2, B_3, B_4 are beta coefficients of H_4 X_1, X_2, X_3 represents dimensions of Organization competencies X_4- represents Knowledge management ϵ is the error term.</p>	<p>If B_i is significant then $Z_i \cdot X_i$ is a moderator in the relationship between Knowledge management and performance</p> <p>$-R^2$ value will reveal how much of firm performance's variation is due to its relationship with competencies</p> <p>Conduct t test to determine the individual significance of the model</p>

Table 3.2 Objectives, Hypotheses and Analytical Techniques continued...

Objective	Hypothesis	Analytical Technique	Interpretation
<p>Objective five- To establish the joint effect of firm competencies, knowledge management and psychic distance on Performance</p>	<p>Hypothesis five- The joint effect of firm competencies, knowledge management and psychic distance on organization performance is different from the individual effects of each of the variables on performance.</p>	<p>Multivariate regression Analysis Firm performance= f (Firm competencies+ knowledge management+ psychic distance) $Y = \beta_0 + \beta_1 Z + \beta_2 Z_1 + \beta_3 Z_2 + \varepsilon$ Where Z indicates knowledge management Z₁ indicates firm competencies Z₂ indicates psychic distance ε is the error term Z, Z₁, Z₂ predict Y</p> <p>$R_1^2 + R_2^2 + R_3^2 + R_4^2 + R_5^2 < R^2$, where $0 < R^2 < 1$ Where R_1^2 is a measure of goodness of fit</p>	<p>To compare the two models use R² (Goodness of fit). Positive change in (R²) shows positive relationship between firm competencies, knowledge management, psychic distance and firm performance</p> <p>-Use F test to establish the overall goodness of fit. Use t test to establish individual goodness of fit - In both cases above, if P values are > than 0.05, reject the</p>

Correlation analysis was used for hypotheses one and two to predict unknown values from known of two or more variables in order to test if firm competencies and knowledge management influence performance. Hierarchical linear regression analysis was used to test hypothesis three and four through building successive linear regression models each adding or subtracting more predictors. For each step, f values and t -statistic were computed for its estimated coefficient. Hypothesis five that sought to establish the joint effect of firm competencies, knowledge management and psychic distance on performance were tested using multivariate regression analysis by explaining how elements in a vector of variables respond simultaneously to changes in other variables.

Pearson correlation moment(r) was used to show the nature and strength of the relationship and coefficient of determination (R^2) explained how much variation in the dependent variable is explained by the independent variable. Analysis of variance (ANOVA) was used to show the overall model significance. The model coefficients indicated the beta coefficients of each independent factor and whether the factor has a positive or negative relationship with the dependent variable. The study data was pretested for the major assumptions of parametric data analysis. Pretesting helped in confirming whether the assumptions of regression analysis were met which are normality, multicollinearity, homoscedasticity and heteroscedasticity. Normality tests were done using Shapiro-Wilk test and Q-Q plots. Checking the assumptions helped decide which statistical tests used were appropriate. Normality was tested using Shapiro-Wilk test statistic. Normal Quantile-Quantile plot also known as normal Q-Q plot were used to verify normality of the study variables that, the observed values did not deviate much from the expected values.

Multicollinearity is the degree of correlation among independent variables (Hair et al, 2010). Multicollinearity was tested using variance inflation factor (VIF) and tolerance which is the reciprocal of VIF. The effect of multicollinearity is that it inflates the sample size which weakens the analysis (Hair et al. 2010). Homogeneity of variance or homoscedasticity which refers to the extent to which the data values for the dependent and independent variables have equal variances (Hair et al 2010) was tested using Levene test. If the variances are unequal, then heteroscedasticity exists which complicates regression analysis because regression assumes equal variances.

3.10 Chapter Summary

This chapter described the research methodology adopted in the current study. Specifically, the chapter examined the research philosophy, research design, population of the study and data collection instruments.

The chapter outlined how validity and reliability were determined. It highlighted the study variables and brought out operationalization of the hypothesized research variables giving a clear picture of how they are measured and the statistical data techniques. The analytical models used for analyzing the data and testing hypotheses were also provided.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 Introduction

The overall objective of the study was to determine the influence of psychic distance and knowledge management on the relationship between firm competencies and firm performance of multinational corporations in Kenya. The data used in this research was collected from a survey of multinational corporations operating in Kenya. The response rate for this study was sixty six percent and was considered representative in line with previous studies. Awino (2007) had a response rate of 65 percent which was representative. Bagire (2012) had a response rate of 66%. Thus this study considered a response rate of 66 percent as representative.

The chapter presents the results of the key variables under study. It is divided into two sections. Section one gives the demographic profiles of the respondents using frequency tables and percentages. Respondent's profiles were represented using their level of education, number of years worked in the organization and job designation while the firm profiles were interpreted based on the geographical distribution and sector of operation. The second section analyzed the hypothesis of the study using various statistical techniques. It concludes by examining the joint effect of the study variables on performance of multinational corporations.

This study was based on the premise that there is a relationship between firm competencies and performance but this relationship is moderated by knowledge management and intervened by psychic distance. To establish the statistical significance of the respective hypothesis, regression analysis was conducted.

4.2 Respondents Characteristics

Respondent's characteristics included the highest level of education attained and the length of service in the company. The target population for this study was top management specifically the Chief Executive Officers, Branch Managers and departmental or line managers/ heads.

The study sought to establish the highest level of education attained by the respondents. Table 4.1 shows the distribution of respondents by level of education. The table indicates that majority of the respondents had Bachelor's degree as represented by 48.5 percent. Level of education indicates literacy and ability of the respondent to make informed managerial decisions. Respondents who had attained a master's degree level of education were 19.1 percent. Only 8.8 percent had a doctorate degree. This indicates a high level of education amongst the respondents. The results also show that none of the respondents had only a secondary education qualification.

Table 4.1 Distribution of respondents by Level of Education

Level of Education	Frequency	Percent	Cumulative Percent	Rank
Secondary	0.0	0.0	0.0	5
Diploma	13	19.1	19.1	3
Bachelors	33	48.5	67.6	1
Masters	16	23.5	91.2	2
PhD	6	8.8	100.0	4
Total	68	100.0		

Source: Primary data, 2015

The study also sought to establish the respondents years of service in the company. The distribution of respondent's length of service in the company is summarized in Table 4.2. The table 4.2 reveals that the largest percentage of respondents had worked with the company for 10 years or less at 64.7 percent, while 25 percent of the respondents had worked with the organization between 10 and 20 years. Only 7.4 percent of the respondents had worked with the organization for 21 to 30 years, while only 2.9 percent of the respondents had worked with the organization for over 30 years. The respondent's years of service in the firm is associated with experience and a thorough understanding of the organizations operations.

Table 4.2 Distribution of respondent's years of service in the company

No. of years	Frequency	Percent	Rank
Below 10 years	44	64.7	1
10- 20 years	17	25	2
21-30 Years	5	7.4	3
Above 30 years	2	2.9	4
Total	68		

Source: Primary data, 2015

Table 4.3 below shows the respondents job designation. The target population for the study was top management. From the respondents data, 22.1 percent were sales and marketing managers who informed majority of the respondents while credit control managers was the least category representing 2 .9 percent. Top management is a reflection of the respondent's ability to give accurate results of the firms operations as they are assumed to have a thorough understanding of the firm.

Table 4.3 Distribution of respondents by Job designation

Designation	Frequency	Percent	Rank
Branch Manager	10	14.7	3
Human Resource	7	10.3	6
Credit Control	2	2.9	8
Corporate Communications	9	13.2	5
Finance	12	17.6	2
Operations Manager	10	14.7	3
Sales and Marketing	15	22.1	1
Training Manager	3	4.4	7
Total	68		

Source: Primary data, 2015

Table 4.4 shows that 42.6 percent of the firms belong to manufacturing sector which was the largest sector in terms of representation percentage. The least sector was pharmaceutical which was represented by one respondent at 1.5 percent.

Table 4.4 Distribution according to Industry Sector

Industry sector	Frequency	Percent	Rank
	1	1.5	9
Agriculture	2	2.9	8
Manufacturing	29	42.6	1
Trading/ Courier	6	8.8	2
Banking	11	6.2	5
Hotel	4	5.9	6
Automobile	6	8.8	2
ICT	3	4.4	7
Pharmaceutical	1	1.5	9
Finance/ Audit	5	7.3	4
Total	68	100.0	

Source: Primary data, 2015

4.3 Descriptive Statistics of the study variables

Tests for descriptive statistics were performed and results for firm competencies, knowledge management, psychic distance and performance were provided in terms of the mean and standard deviation. The total number of respondents analyzed in each measure ranges was 68 as per the number of complete questionnaires. Table 4.8 shows the descriptive statistics for each of the variables measured by a Likert type scale to evaluate whether the variables varied from one organization to another.

The findings reveal that technological competencies were utilized by the MNC to a very large extent as evidenced at a mean of 4.3529 while cultural differences were utilized to a moderate extent at a mean score of 3.6441. Responses from the organization showed that managerial competences had the highest dispersion at $SD=0.61669$ while technological competencies had the lowest dispersion at $SD=0.42152$.

The mean score ranged from 3.6441 to 4.3529 while the standard deviation ranged from 0.42152 to 0.61669. It means that on average, the firms utilized firm competencies, knowledge management and cultural distance to a large extent while respondents to the firms indicate no significant variations.

Table 4.5 presents descriptive statistics for each of the research variables measured by Likert-type scale to evaluate whether the variables varied from one form to another.

Table 4.5 Summary of descriptive statistic of study variables

One-Sample Statistic				
Variables	N	Mean	Std. Deviation	Std. Error Mean
Technological Competencies	68	4.3529	.42152	.05112
Managerial Competencies	68	4.1949	.61669	.07478
Employee Competencies	68	4.3088	.50762	.06156
Knowledge Acquisition	68	3.6912	.53098	.06439
Knowledge Application	68	3.6912	.53098	.06439
Knowledge Dissemination	68	4.2647	.58607	.07107
Business Differences	68	3.8588	.42470	.05150
Cultural Differences	68	3.6441	.48727	.05909

Source: Primary Data, 2015

The results on table 4.6 below indicate that technological competencies, managerial competencies and employee competencies had a mean difference of 4.3529, 4.1948 and 4.3088 respectively. Indicators for knowledge management namely knowledge acquisition, knowledge application and knowledge dissemination had means of 3.6911, 3.6911 and 4.264 respectively, while business differences and cultural differences had means of 3.8588 and 3.6441 respectively. The results indicate that the mean scores differed significantly among the study variables. The highest mean difference was identified as technological competencies (t-value=85.157, p-value=0.000). For all the variables in the study, significant differences exist. The results of one sample t test show that for all the values, p-values were 0.000 which was less than $p < 0.05$. This was interpreted to mean that mean score measures differed statistically significantly across multinational corporations.

Table 4.6 One sample t-test

One-Sample Test	Rank					
Variables	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Technological Competencies	85.157	67	.000	4.35294	4.2509	4.4550
Managerial Competencies	56.092	67	.000	4.19485	4.0456	4.3441
Employee Competencies	69.996	67	.000	4.30882	4.1860	4.4317
Knowledge Acquisition	57.325	67	.000	3.69118	3.5627	3.8197
Knowledge Application	57.325	67	.000	3.69118	3.5627	3.8197
Knowledge Dissemination	60.006	67	.000	4.26471	4.1228	4.4066
Business Differences	74.925	67	.000	3.85882	3.7560	3.9616
Cultural Differences	61.671	67	.000	3.64412	3.5262	3.7621

Source: Primary Data, 2015

4.4 Reliability Analysis

Reliability is the extent to which results are consistent over time. The study sought to establish the reliability of the study instrument by computing the Cronbach's alpha coefficient. A cut off point of 0.7 was adopted as recommended by Nunnally (1978).

The results on table 4.7 revealed a Cronbach alpha of 0.795 for the five variables of firm competencies, knowledge management, psychic distance, financial performance

and non-financial performance. All the items under this study had alpha coefficient values above the recommended 0.7 by Nunnally (1978). The study further analyzed Cronbach's alpha coefficient for the thirteen variables and this was found to be a score of 0.850, hence the instrument was considered reliable.

Different scholars have used different Cronbach's alpha coefficient cut off. Nunnally (1967, 1978) recommended a Cronbach alpha of 0.7. Mallery (2003) contends that a Cronbach alpha coefficient greater than 0.9 is excellent, a Cronbach alpha coefficient greater than 0.8 is good, a Cronbach alpha coefficient greater than 0.6 is questionable while a Cronbach alpha coefficient of 0.5 and below is poor. All items in the study had a value of between 0.795 and 0.850 thus were considered acceptable. The reliability tests exceeded the acceptable level for the current study which was 0.7 and therefore this was considered reliable for further analysis.

Table 4.7 Reliability Statistics

Cronbach's Alpha	No. of Items
.795	5
.850	13

Source: Primary Data, 2015

4.5 Normality Tests

Normality ensures data is symmetrically distributed around the center of all score (Field, 2009). Normality tests were conducted using Shapiro-wilks test to detect all departures from normality due to skewness, kurtosis or both and kolmogorov-smirnov (K-S) one sample test, a non-parametric test for goodness of fit. The test was used to assess the cumulative distribution for variables in a specified distribution to test whether the observations came from the specified distribution. Results on table 4.8 revealed that data was normally distributed. The study considered a Shapiro of > 0.05 significant (Razali and Wah, 2011). All readings in this study as depicted in table 4.9 below were above 0.05 confirming normality hence assuming the sampling distribution of the mean is normal.

Table 4.8 Normality Tests

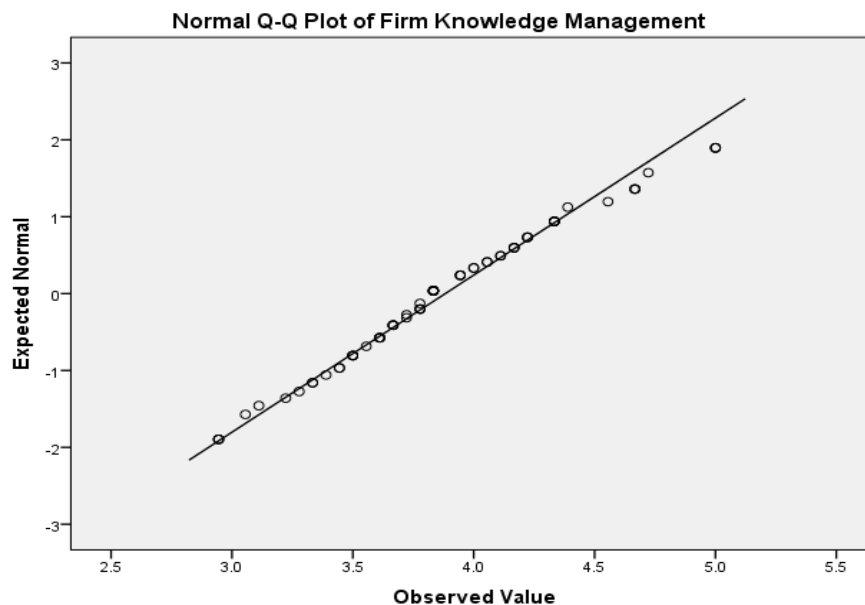
Tests of Normality						
Variables	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Firm Competencies	.111	68	.035	.970	68	.100
Firm Knowledge Management	.113	68	.030	.977	68	.247
Psychic Distance	.113	68	.031	.948	68	.006
Non-Financial Performance	.139	68	.002	.938	68	.002
Financial Performance	.127	68	.008	.968	68	.080
a. Lilliefors Significance Correction						

Source: Primary Data, 2015

Firm competencies, knowledge management and financial performance did not obey a normal distribution i.e. $p > 0.05$ while psychic distance and non-financial performance obey a normal distribution that is $p < 0.05$. Using central limit theorem, it is assumed that the variables will tend to be normal as the sample size increases.

Additionally, to test for normality, QQ plot was done as shown in figure 4.1. The QQ plot compared probability distribution by plotting quantiles against each other. From figure 4.1 it is shown that there was no deviation from the best fit curve implying that the data had a normal distribution. The data points lie approximately along the straight line passing through the zero axis at 45 degrees indicating a positive distribution of data for firm knowledge management.

Figure 4.1: Normal Q-Q plot for firm knowledge management

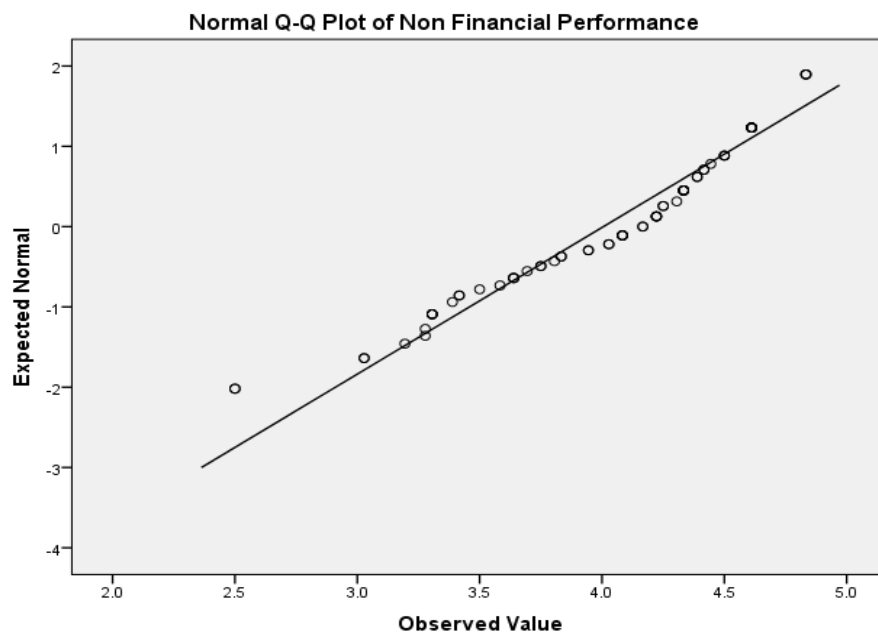


Source: Primary Data, 2015

At the same time, figure 4.2 shows that there was no deviation from the best fit curve implying that the data was normally distributed. The data points lie approximately

along the straight line passing through the zero axis at 45 degrees indicating a positive distribution of data for non-financial performance. From the foregoing, the normality test was not violated and it was concluded that the data collected from MNC's were normal.

Figure 4.2: Normal Q-Q plot for Non-Financial Performance



Source: Primary Data, 2015

4.6 Multicollinearity Test

Multicollinearity refers to the degree of correlation among independent variables (Saunders, 2009). The effect of multicollinearity is to inflate the size of the error term and weaken the analysis (Hair et. al. 2010). The study set out to establish the multicollinearity effect on the data to establish the extent to which independent variables are related to each other. Table 4.9 shows the results of the multicollinearity tests checked by use of the variation inflation factor (VIF) to reveal the linear correlation among the variables. Variables with variance inflation factor above 5 indicates multicollinearity (Denis, 2011).

Results exhibited that the VIF factor for all the variables was found to be less than five ($VIF < 5$) signifying no problem of multicollinearity of the variables. This indicated that the dependent and independent variables were not highly correlated. The VIF for this study was below five indicating no problem of multicollinearity between the study variables as indicated in the coefficient tables. The VIF for this study ranged between 1.715 and 3.425.

Multicollinearity was also tested using tolerance as shown in table 4.14 below. Tolerance is the reciprocal of VIF (Hansen, 2013) and therefore should not be less than 1/5 (0.2). For this study the tolerance ranged from 0.292 to 0.583 indicating no problem of multicollinearity between the study variables.

Table 4.9 Tests of Multicollinearity

Coefficients^a		
Model	Collinearity Statistics	
	Tolerance	VIF
Firm Competencies	.292	3.425
Firm Knowledge Management	.583	1.715
Psychic Distance	.537	1.863
Non-Financial Performance	.481	2.079
a. Dependent Variable: Financial Performance		

Source: Primary Data, 2015

4.7 Homogeneity Tests

Homogeneity is the assumption that the dependent variable exhibits similar amount of variance across values for an independent variable (Hair et. al., 2010). If variances are equal then heteroscedasticity exists which complicates regression analysis since regression assumes equal variances. The study set out to establish the whether the variances of the population from which different sample were drawn are equal. This was done using Levene statistic. Levene statistic is an inferal statistic used to assess the equality of variance for a variable calculated for two or more groups (Levene, 1960). Homogeneity was used to test heteroscedasticity and homoscedasticity. The results of the study as indicated in table 4.10 designate that all variables had a Levene statistic that was well below 10 bringing out the conclusion that the results were not violated (Field, 2009). There is a variation in explaining the standard Levene statistic to be used in research. Scholars have used Levene statistic ranging from five to ten. This study used a Levene statistic of less than ten as advocated by (Field, 2009).

Table 4.10 Test of Homogeneity of Variances

Test of Homogeneity of Variances				
Variables	Levene Statistic	df1	df2	Sig.
Firm Competencies	7.551	16	39	.000
Psychic Distance	6.232	16	39	.000
Non-Financial Performance	7.461	16	39	.000
Financial Performance	7.548	16	39	.000
Dependent: Knowledge Management				

Source: Primary Data, 2015

4.8 Factor Analysis

Factor analysis was done to confirm if the study variables were related. The thirteen items measuring firm competencies, knowledge management, psychic distance and performance of multinational corporations were subjected to factor analysis to check whether the classification was still valid. Factor analysis was conducted using Principal Component Analysis (PCA) technique to explain how the set of study variables were structured. Principal Component Analysis (PCA) is concerned with establishing which linear components exist within the data and how a particular variable contributed to that component (Field, 2009).

The results of the analysis revealed the underlying drivers of firm competencies, knowledge management, psychic distance and performance. A data reduction procedure with varimax rotation was used to confirm the underlying dimensions of the predictor variables. The thirteen set of variables were reduced into a smaller set of principal components. The specific significant elements that measure the variables of the study were established hence those with high correlation were dropped. This increased the research instruments reliability. Drivers of firm competencies were identified as technological, managerial and employee competencies.

The underlying forces for knowledge management were knowledge acquisition, knowledge application and knowledge dissemination. Psychic distance drivers were identified as cultural and business differences. Performance drivers were identified as service delivery, firm learning and growth, internal business processes, non-financial, financial and overall performance. Each study variable was subjected to factor analysis. All data relating to the various variables were subjected to Kaiser-Meyer-Olkin (KMO) test. KMO values were greater than 0.5 (>0.5) which is a recommended value (Maholtra and Dash, 2011) indicating that the sample was adequate. This implies that the study variables were related.

The variables were evaluated using thirteen elements namely technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge application, knowledge dissemination, business differences, cultural differences, service delivery performance, firm learning and growth, internal business processes, revenue efficiency and cost efficiency. Factor analysis produced four critical factors that drive performance of multinationals which cumulatively accounted for 77.522 percent of the total variance in this construct.

Table 4.11 Table of Communalities

Communalities		
	Initial	Extraction
Technological Competencies	1.000	.447
Managerial Competencies	1.000	.781
Employee Competencies	1.000	.794
Knowledge Acquisition	1.000	.884
Knowledge Application	1.000	.884
Knowledge Dissemination	1.000	.705
Business Differences	1.000	.854
Cultural Differences	1.000	.739
Service Delivery	1.000	.735
Firm Learning and Growth	1.000	.787
Internal Business Processes	1.000	.857
Revenue Efficiency	1.000	.814
Cost Efficiency	1.000	.797
Extraction Method: Principal Component Analysis.		

Source: Primary Data, 2015

From table 4.12 all the twelve components explain a hundred percent variation. Four components whose Eigen value is greater than one were extracted. Eigen value of 1 and above represents a substantial amount of variation (Field, 2009). The results revealed that the four components explain 77.522 percent of the studies variation. These four components are component one explaining 41.250 of the variation, component two explaining 16.357 of the variation, component three explaining 12.021 of the variation and component four explaining 7.894 of the variation.

Rotation was carried out to equitably distribute the four components. The results as shown on table 4.12 reduce component one from 41.25 to 24.860 percent, component two increases from 16.357 to 19.931 percent, component three increases from 12.021 to 19.001 percent and component four increases from 7.894 to 13.730 percent. However, the total cumulative variation does not change and remains at 77.522 percent. The thirteen values have been reduced into four factors using Eigen value greater than 1. The four factors account for 77.522 percent of the variation which is greater than 70 percent.

Table 4.12 Total Variance Explained

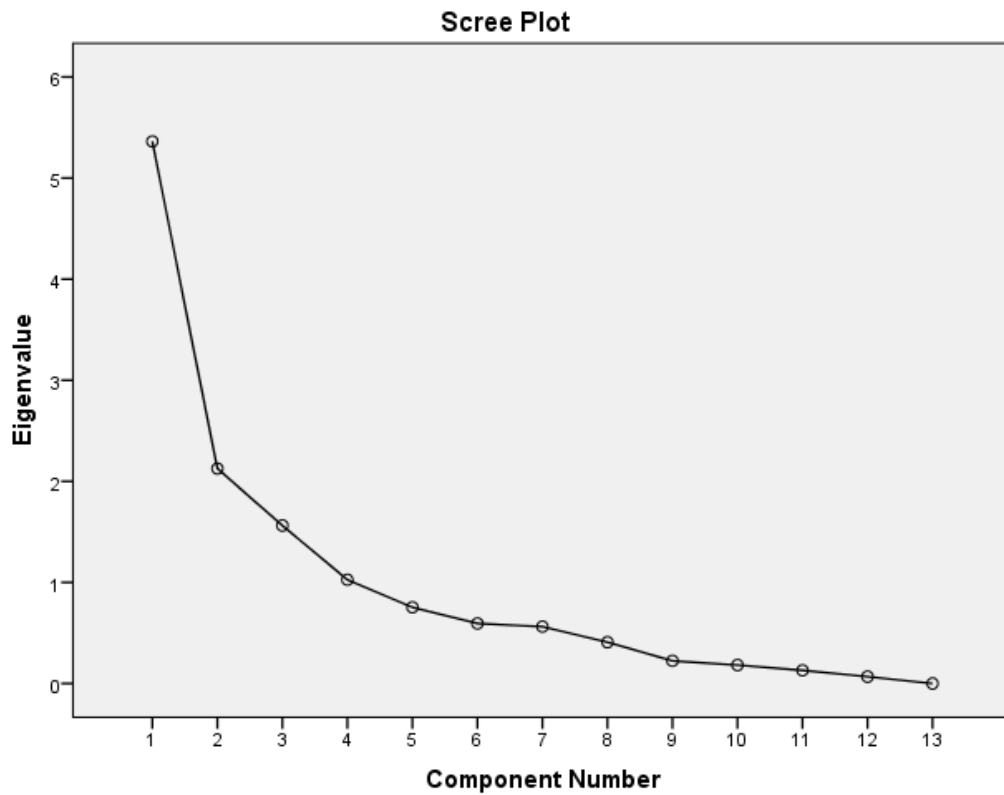
Total Variance Explained									
Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.363	41.250	41.250	5.363	41.250	41.250	3.232	24.860	24.860
2	2.126	16.357	57.607	2.126	16.357	57.607	2.591	19.931	44.791
3	1.563	12.021	69.628	1.563	12.021	69.628	2.470	19.001	63.792
4	1.026	7.894	77.522	1.026	7.894	77.522	1.785	13.730	77.522
5	.754	5.797	83.319						
6	.594	4.569	87.888						
7	.562	4.326	92.214						
8	.408	3.141	95.355						
9	.224	1.722	97.077						
10	.182	1.402	98.480						
11	.130	.998	99.478						
12	.068	.522	100.000						
13	1.819 $\times 10^{-17}$	1.399 $\times 10^{-16}$	100.000						

Extraction Method: Principal Component Analysis.

Source: Primary Data, 2015

The study used a scree plot to visually assess which component or factors explained most of the variation in the data. Figure 4.3 below displays Eigen values associated with a component or factor in descending order against the number of the component. The scree plot begins to elbow at 1.026 showing that the thirteen factors loaded onto the four factors. Hence it can be concluded that the scree plot and total variance explained are speaking to each other.

Figure 4.3: Scree Plot



Source: Primary Data, 2015

Table 4.13 below shows the component matrix that was used to explain the quantum that the study variables load onto the components. Any factor loadings of less than 0.5 were compressed according to Field, (2009). Thus the study considered only factors above 0.5.

Table 4.13 Component Matrix^a

Component Matrix ^a				
Variables	Component			
	1	2	3	4
Knowledge Application	.812			
Knowledge Acquisition	.812			
Knowledge Dissemination	.756			
Managerial Competencies	.735			
Internal Business Processes	.709	-.552		
Employee Competencies	.702			
Revenue Efficiency	.682		-.560	
Technological Competencies	.587			
Cultural Differences	.543			
Cost Efficiency		.823		
Firm Learning and Growth	.515	-.689		
Service Delivery	.530		.613	
Business Differences	.519			.538
Extraction Method: Principal Component Analysis.				
a. 4 components extracted.				

Source: Primary Data, 2015

Component matrix explains the factor loadings of the independent items into four extracted components. The component matrix was rotated using varimax with Kaiser Normalization method. Varimax is a matrix of factor loadings for each variable onto each factor. Rotation maximizes the loadings of each variable on one of the extracted factors while minimizing the loadings on all other factors. Varimax rotation was applied for its attempt to maximize the dispersion of loadings within the components. The factors were highly loaded into a smaller number of variables on each factor. Kaiser (1974) recommended only items with Eigen values greater than 1.0 and loadings greater than 0.5 were extracted. From table 4.14, revenue efficiency, knowledge application, knowledge acquisition and knowledge dissemination loaded onto component one with factor loadings of 0.880, 0.869, 0.869 and 0.665 respectively. Looking at the variables, component one is synonymous with knowledge management in

a firm. Firm learning and growth, employee competencies, internal business processes loaded onto component two with factor loadings of 0.847, 0.774 and 0.761 respectively. Looking at the variables, component two is synonymous with performance in a firm. Managerial competencies, cultural differences, service delivery and technological competencies loaded onto component three with factor loadings of 0.792, 0.786, 0.754 and 0.562 respectively. Looking at the variables, component three is synonymous with competencies in a firm. Business differences and cost efficiency loaded onto component four with factor loadings of 0.863 and 0.806. Looking at the variables, component four is synonymous with psychic distance in a firm.

Table 4.14 Rotated Component Matrix^a

Rotated Component Matrix^a				
Variables	Component			
	1	2	3	4
Revenue Efficiency	.880			
Knowledge Application	.869			
Knowledge Acquisition	.869			
Knowledge Dissemination	.665			
Firm Learning and Growth		.847		
Employee Competencies		.774		
Internal Business Processes		.761		
Managerial Competencies			.792	
Cultural Differences			.786	
Service Delivery			.754	
Technological Competencies			.562	
Business Differences				.863
Cost Efficiency				.806
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 7 iterations.				

Source: Primary Data, 2015

4.9 Correlations of the study variables

The general objective of the current study was to determine the influence of knowledge management and psychic distance on the relationship between firm competencies and performance of multinational corporations in Kenya. To assess this relationship, a correlation analysis was conducted using Pearson product moment coefficient technique was used to establish whether the independent variables were highly correlated to avoid inflating outcomes. Field (2009) advocated for correlations of 0.90. Coefficients above 0.90 were rejected. Cohen (1988) classified correlation coefficients as ranging from 0.00 to 1.00 in a scale of no correlation to perfect correlation. For this study, coefficients were all above the upper limit concluding that the independent variable was not highly correlated.

Results presented on table 4.15 show varied degree of interrelationships among the study variables. From the study firm competencies had three indicators namely technological competencies, managerial competencies and employee competencies. Performance had six dimensions namely service delivery, firm learning and growth, internal business processes, financial performance, non-financial performance and overall performance. The results are indicate varied degree of relationships. Based on the conceptualization of the study, there are several correlations done.

Results on table 4.15 indicate that the relationship between knowledge management and firm competencies is moderate and statistically significant at ($r=0.416$, $p\text{-value}=0.000$). Similarly, the relationship between knowledge management and firm performance is moderate and statistically significant at ($r=0.311$, $p\text{-value}=0.002$). The relationship between firm competencies and performance is statistically significant at ($r=0.411$, $p\text{-value}=0.000$).

The relationship between firm performance and competencies is stronger than that of firm performance and knowledge management as 0.575 is greater than 0.427. This implies that firm competencies plays a critical role in influencing the performance of multinational corporations.

Table 4.15: Correlation analysis between Firm competencies, Knowledge management, Psychic Distance and Performance

Correlations					
		Knowledge Management	Firm Competencies	Psychic Distance	Firm Performance
Knowledge Management	Pearson Correlation	1	.416**	.183	.472**
	Sig. (2-tailed)		.000	.077	.000
Firm Competencies	Pearson Correlation	.416**	1	-.098	.575**
	Sig. (2-tailed)	.000		.346	.000
Psychic Distance	Pearson Correlation	.183	-.098	1	.068
	Sig. (2-tailed)	.077	.346		.514
Firm Performance	Pearson Correlation	.311**	.411**	-.088	1
	Sig. (2-tailed)	.002	.000	.401	.016
** Correlation is significant at the 0.01 level (2-tailed).					
* Correlation is significant at the 0.05 level (2-tailed).					

Source: Primary Data

The study further analyzed the correlations among the study variable components. The results in table 4.16 indicates that the relationship between technological competencies and managerial competencies, employee competencies, knowledge acquisition, knowledge application, knowledge dissemination, business differences, cultural differences and service delivery was statistically significant with p-value <0.05. The strongest relationship was between technological competencies and knowledge dissemination at (r=0.457, p-value=0.000). This implies that technological competencies greatly influence knowledge dissemination.

The relationship between managerial competencies and technological competencies, employee competencies, knowledge acquisition, knowledge application, knowledge dissemination, business differences, cultural differences, service delivery, firm learning and growth, internal business process, revenue efficiency and cost efficiency was statistically significant with p -value <0.05 . The strongest relationship was between managerial competencies and service delivery at ($r=0.685$, p -value= 0.000). This implies that in a complex business environment, multinational corporations need to employ competent managers to improve on service delivery of their firms.

The relationship between employee competencies and technological competencies, managerial competencies, knowledge acquisition, knowledge application, knowledge dissemination, business differences, cultural differences, service delivery, firm learning and growth and internal business process was statistically significant with p -value <0.05 . The strongest relationship was between employee competencies and firm learning and growth at ($r=0.626$, p -value= 0.000). This implies that firm with competent employees embrace the culture of a learning organization which ultimately translates to firm growth.

The relationship between knowledge acquisition and technological competencies, managerial competencies, employee competencies, knowledge application, knowledge dissemination, business differences, cultural differences, internal business process and revenue efficiency was statistically significant with p -value <0.05 . The strongest relationship was between knowledge acquisition and revenue efficiency at ($r=0.675$, p -value= 0.000). This implies that for multinational corporations to achieve superior performance, they must continuously acquire new knowledge and apply this knowledge within the organization.

The relationship between knowledge application and technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge dissemination, business differences, cultural differences, internal business process and revenue efficiency was statistically significant with p-value <0.05 . The strongest relationship was between knowledge application and revenue efficiency at ($r=0.675$, p-value= 0.000). This implies that firms must acquire and apply the knowledge they learn for continuous improvement and to achieve ultimate performance.

The relationship between knowledge dissemination and technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge application, business differences, firm learning and growth, internal business process and revenue efficiency is statistically significant at $P<0.05$. The strongest relationship was between knowledge dissemination and revenue efficiency at ($r=0.733$, p-value= 0.000). This implies that knowledge dissemination plays a critical role in influencing performance of multinational corporations hence firms need to disseminate the knowledge they acquire to sustain competitive advantage.

The relationship between business differences and technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge application, knowledge dissemination, cultural differences, service delivery and cost efficiency was statistically significant with p-value <0.05 . The strongest relationship was between business differences and cost efficiency at ($r=0.552$, p-value= 0.000).

This implies that failure to understand business practices can create insurmountable barriers to successful business performance conversely understanding these differences can reap rewards and help build strong business relationships.

The relationship between cultural differences and technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge application, business differences, service delivery and cost efficiency was statistically significant with p-value <0.05 . The strongest relationship was between cultural differences and managerial competencies at ($r=0.557$, p-value= 0.000). This implies that multinationals must engage managers who have the capability to understand diverse cultures for them to be successful in the international arena.

The relationship between service delivery and technological competencies, managerial competencies, employee competencies, cultural differences, firm learning and growth and internal business process was statistically significant with p-value <0.05 . The strongest relationship was between service delivery and managerial competencies at ($r=0.685$, p-value= 0.000). This implies that firms that engage competent managers will foster a culture of continuous organization improvement by achieving quality work on a consistent basis and strives for service excellence.

The relationship between firm learning and growth and managerial competencies, employee competencies, knowledge dissemination, service delivery, internal business process, revenue efficiency and cost efficiency was statistically significant with p-value <0.05 . The strongest relationship was between firm learning and growth and internal business process at ($r=0.745$, p-value= 0.000). This implies that multinationals need to take action to align the firm processes and structures with planned changes as important learning on the road to success.

The relationship between internal business process and technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge application, knowledge dissemination, service delivery, firm learning and growth, revenue efficiency and cost efficiency was statistically significant with p-value <0.05 . The strongest relationship was between internal business process and firm learning and growth at ($r=0.745$, $p\text{-value}=0.000$). This implies multinationals must have a thorough understanding of business planning and accountability practices to execute organization goals and achieve results.

The relationship between revenue efficiency and managerial competencies, knowledge acquisition, knowledge application, knowledge dissemination, firm learning and growth, and internal business process was statistically significant with p-value <0.05 . The strongest relationship was between revenue efficiency and knowledge dissemination at ($r=0.733$, $p\text{-value}=0.000$). This implies that multinationals should recognize and use underlying knowledge to position the firm to deal with emerging and long term trends to produce the best results.

The relationship between cost efficiency and business differences, cultural differences, firm learning and growth and internal business process was statistically significant with p-value <0.05 . The strongest relationship was between cost efficiency and business differences at ($r=0.552$, $p\text{-value}=0.000$). This implies that multinationals need to improve their level of knowledge of difference in business so as to build international competencies as well as enabling them gain competitive advantage.

Table 4.16: Correlation analysis- Firm competencies, Knowledge Management, Psychic Distance, Performance

Correlations														
		TC	MC	EC	KQ	KP	KD	BD	CD	SD	FLG	IBP	RE	CE
TC	Pearson Correlation	1	.406**	.342**	.357**	.357**	.457**	.341**	.446**	.383**	.141	.326**	.239*	.081
	Sig. (2-tailed)		.001	.004	.003	.003	.000	.004	.000	.001	.250	.007	.050	.511
MC	Pearson Correlation	.406**	1	.538**	.480**	.480**	.392**	.312**	.557**	.685**	.355**	.375**	.341**	.031
	Sig. (2-tailed)	.001		.000	.000	.000	.001	.010	.000	.000	.003	.002	.004	.799
EC	Pearson Correlation	.342**	.538**	1	.394**	.394**	.524**	.416**	.246*	.379**	.626**	.586**	.216	-.028
	Sig. (2-tailed)	.004	.000		.001	.001	.000	.000	.043	.001	.000	.000	.076	.823
KQ	Pearson Correlation	.357**	.480**	.394**	1	.975**	.550**	.439**	.440**	.175	.166	.488**	.675**	.197
	Sig. (2-tailed)	.003	.000	.001		.000	.000	.000	.000	.154	.175	.000	.000	.107
KP	Pearson Correlation	.357**	.480**	.394**	.975**	1	.550**	.439**	.440**	.175	.166	.488**	.675**	.197
	Sig. (2-tailed)	.003	.000	.001	.000		.000	.000	.000	.154	.175	.000	.000	.107
KD	Pearson Correlation	.457**	.392**	.524**	.550**	.550**	1	.388**	.209	.213	.288*	.541**	.733**	.155
	Sig. (2-tailed)	.000	.001	.000	.000	.000		.001	.087	.081	.017	.000	.000	.206
BD	Pearson Correlation	.341**	.312**	.416**	.439**	.439**	.388**	1	.250*	.264*	.050	.105	.134	.552**
	Sig. (2-tailed)	.004	.010	.000	.000	.000	.001		.040	.030	.688	.396	.274	.000
CD	Pearson Correlation	.446**	.557**	.246*	.440**	.440**	.209	.250*	1	.350**	.121	.106	.239*	.314**
	Sig. (2-tailed)	.000	.000	.043	.000	.000	.087	.040		.003	.327	.391	.050	.009
SD	Pearson Correlation	.383**	.685**	.379**	.175	.175	.213	.264*	.350**	1	.373**	.389**	.122	-.060
	Sig. (2-tailed)	.001	.000	.001	.154	.154	.081	.030	.003		.002	.001	.322	.625
FLG	Pearson Correlation	.141	.355**	.626**	.166	.166	.288*	.050	.121	.373**	1	.745**	.290*	-.329**
	Sig. (2-tailed)	.250	.003	.000	.175	.175	.017	.688	.327	.002		.000	.017	.006
IBP	Pearson Correlation	.326**	.375**	.586**	.488**	.488**	.541**	.105	.106	.389**	.745**	1	.515**	-.320**
	Sig. (2-tailed)	.007	.002	.000	.000	.000	.000	.396	.391	.001	.000		.000	.008
RE	Pearson Correlation	.239*	.341**	.216	.675**	.675**	.733**	.134	.239*	.122	.290*	.515**	1	.038
	Sig. (2-tailed)	.050	.004	.076	.000	.000	.000	.274	.050	.322	.017	.000		.761
CE	Pearson Correlation	.081	.031	-.028	.197	.197	.155	.552**	.314**	-.060	-.329**	-.320**	.038	1
	Sig. (2-tailed)	.511	.799	.823	.107	.107	.206	.000	.009	.625	.006	.008	.761	

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

4.10 Competencies and Firm Performance

This study sought to establish the influence of firm competencies on performance of MNC in Kenya. From previous studies, authors studied the direct relationship of competencies on performance. Firm competencies the independent variable in this study comprised of technological, managerial and employee competencies. Performance which was the dependent variable was conceptualized in terms of the Balanced Score Card of Kaplan and Norton, 1996. Both financial and non-financial performance measures were considered.

4.10.1 Firm Competencies and Service Delivery

Objective one was to establish the relationship between firm competencies and performance of multinational corporations in Kenya. To derive this objective, hypothesis one which stated that firm competencies have no significant influence on performance of MNC was tested under six dimensions, to address the influence of firm competencies on the parameters of performance namely service delivery, firm learning and growth, internal business processes, non-financial performance, financial performance and finally on overall performance.

Table 4.17: Firm Competencies and Service Delivery

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.694 ^a	.482	.458	.68017		
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.586	3	9.195	19.877	.000 ^b
	Residual	29.608	64	.463		
	Total	57.194	67			
a. Dependent Variable: Service Delivery						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (p-value)
		B	Std. Error	Beta		
1	(Constant)	-1.077	.968		-1.113	.270
	Technological Competencies	.278	.219	.127	1.272	.208
	Managerial Competencies	.954	.167	.637	5.731	.000
	Employee Competencies	-.012	.197	-.007	-.063	.950
a. Dependent Variable: Service Delivery						

Source: Primary Data, 2015

Table 4.17 shows regression results of the analysis done to establish influence of firm competencies on service delivery. The coefficient of determination was 0.482, which means 48.2 percent of the variation in service delivery was explained by firm competencies. The remaining 51.8 percent was explained by other factors not considered in the study. The results also indicate positive and strong relationship between firm competencies and service delivery at ($r=0.694$).

The regression model was significant at p-value of 0.000 which was less than 0.05. The hypothesis was supported and it was concluded that firm competencies have a statistically significant influence on service delivery. This can be interpreted to mean that firm competencies contribute to improved performance of multinational firms.

The model coefficients results show that beta coefficients for technological competencies and managerial competencies and employee were positive at $\alpha=0.05$. Technological competencies had a coefficient of 0.278 at a p-value of 0.208, managerial competencies had a coefficient of 0.954 with a p-value of 0.000 which were all less than 0.05. This was interpreted to mean that a unit change in managerial competencies causes an increase of 0.208 in service delivery within multinational corporations. However, a unit change in employee competencies causes a change of 0.12 in service delivery performance. Thus the regression model used to estimate MNC service delivery performance taking into consideration firm competencies is stated as:

$SD=0.954$ Managerial Competencies

(0.000)

The regression equation shown above was interpreted to mean that a unit change in managerial competencies causes a positive change of 0.954 in service delivery.

4.10.2 Firm Competencies and Firm Learning and Growth

Table 4.18 shows regression results of analysis done to establish the influence of firm competencies on firm learning and growth. The coefficient of determination was 0.400, which means that only 40 percent variation in firm learning and growth was explained by firm competencies. The remaining 60 percent was explained by other factors not

considered in the study. Results also indicated a string and moderate relationship between firm competencies and firm learning and growth at ($r=0.632$). The regression model results of the overall significance of the model had a p-value of 0.000 which is less than 0.05. The overall model reveals a statistically significant relationship between firm competencies and firm learning and growth performance.

Table 4.18: Firm Competencies and Firm Learning and Growth

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.632 ^a	.400	.372	.46812		
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.339	3	3.113	14.205	.000 ^b
	Residual	14.024	64	.219		
	Total	23.363	67			
a. Dependent Variable: Firm Learning and Growth						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.303	.666		1.957	.055
	Technological Competencies	-.135	.150	-.096	-.896	.373
	Managerial Competencies	.053	.115	.056	.465	.644
	Employee Competencies	.732	.135	.629	5.403	.000
a. Dependent Variable: Firm Learning and Growth						

Source: Primary Data, 2015

The model coefficients results show the beta coefficient of technological competencies, managerial competencies and employee competencies. The beta coefficients for managerial and employee competencies were positive while the coefficients of technological competencies was negative at alpha= 0.05. Technological competencies had a coefficient of -0.135 at a p-value 0.373, managerial competencies had a coefficient of 0.053 at a p-value 0.644, employee competencies had a coefficient of 0.732 at a p-value 0.000 which was less than alpha=0.05. Thus the regression model used to estimate MNC firm learning and growth performance taking into consideration firm competencies is stated as:

$$\text{FLG} = 0.732 \text{ Employee Competencies} \\ (0.000)$$

The regression equation shown above was interpreted to mean that a unit change in employee competencies causes an increase of 0.732 units in firm learning and growth performance within MNC.

4.10.3 Firm Competencies and Internal Business Process

Table 4.19 shows that the coefficient of determination of firm competencies and internal business processes performance was 0.363. This means that 36.3 percent of IBP performance was explained by firm competencies. The remaining 63.7 percent was explained by other factors not considered in the model. Firm competencies and Internal Business Process were considered to have a positive and strong relationship at ($r=0.602$).

Table 4.19: Firm Competencies and Internal Business Process

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.602 ^a	.363	.333	.42033		
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.430	3	2.143	12.132	.000 ^b
	Residual	11.308	64	.177		
	Total	17.738	67			
a. Dependent Variable: Internal Business Processes						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.732	.598		1.224	.225
	Technological Competencies	.160	.135	.131	1.184	.241
	Managerial Competencies	.036	.103	.043	.347	.730
	Employee Competencies	.525	.122	.518	4.321	.000
a. Dependent Variable: Internal Business processes						

Source: Primary Data, 2015

The regression results of the overall significance of the model has a p-value of 0.000 which is less than 0.05. The hypothesis was supported and it was concluded that firm competencies has a significant influence on IBP performance.

The model coefficient results show the beta coefficient of technological competencies, managerial competencies and employee competencies. Beta coefficients were all positive at $\alpha=0.05$. Technological competencies had a coefficient of 0.160 at a p-value of 0.241, managerial competencies had a coefficient 0.036 at a p-value of 0.730 while employee competencies had coefficient of 0.525 at a p-value of 0.000, which was less than $\alpha= 0.05$. Thus the regression model used to estimate MNC internal business process performance taking into consideration firm competencies is stated as:

IBP= 0.525 Employee Competencies

(0.000)

This was interpreted to mean that a unit change in employee competencies causes an increase of 0.525 in internal business process performance.

4.10.4 Firm Competencies and Non-Financial Performance

Table 4.20 shows the coefficient of determination of firm competencies and non-financial performance was 0.515 which means 51.5 percent of non-financial performance was explained by firm competencies while the remaining 48.5 percent was explained by other factors not considered in the model. Results also indicated a strong positive relationship between firm competencies and non-financial performance at ($r=0.718$).

Table 4.20: Firm Competencies and Non-Financial Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.718 ^a	.515	.492	.39016		
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.339	3	3.446	22.639	.000 ^b
	Residual	9.743	64	.152		
	Total	20.081	67			
a. Dependent Variable: Non-Financial Performance						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.319	.555		.575	.567
	Technological Competencies	.101	.125	.078	.806	.423
	Managerial Competencies	.348	.096	.392	3.641	.001
	Employee Competencies	.415	.113	.385	3.676	.000
a. Dependent Variable: Non-Financial Performance						

Source: Primary Data, 2015

The regression results of the overall model significance had a p-value of 0.000 which is less than 0.05. The results failed to reject the hypothesis and it was concluded that firm competencies have a significant influence on non-financial performance. This can be interpreted to mean that firm competencies explain changes in non-financial performance of multinational firms in Kenya.

The model coefficient results show the beta coefficient of explanatory variables for non-financial resources. All the beta coefficients were positive. This means that the independent influence of the variables (technological competencies, managerial competencies and employee competencies) explain the changes in non-financial performance. Managerial competencies had a coefficient of 0.348 at a p-value of 0.001. This means that a unit change in managerial competencies causes an increase of 0.348 of non-financial performance. Employee competencies had a coefficient of 0.415 at a p-value of 0.000. This means that a unit change of employee competencies causes a 0.415 change in non-financial performance. Thus the regression model used to estimate MNC non-financial performance taking into consideration firm competencies is stated as:

$$\text{NFP} = 0.348\text{MC} + 0.415\text{EC}$$

$$(0.001) \quad (0.000)$$

4.10.5 Firm Competencies and Financial Performance

Table 4.21 shows the coefficient of determination of firm competencies and financial performance was 0.075 which means that 7.5 percent of financial performance was explained by firm competencies while the remaining 92.5 percent was explained by other factors not considered in the model. Results also indicate a positive and low relationship between firm competencies and financial performance at ($r=0.275$).

Table 4.21: Firm Competencies and Financial Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.274 ^a	.075	.032	.47003		
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.146	3	.382	1.729	.170 ^b
	Residual	14.139	64	.221		
	Total	15.286	67			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.528	.669		3.780	.000
	Technological Competencies	.163	.151	.144	1.081	.284
	Managerial Competencies	.159	.115	.205	1.379	.173
	Employee Competencies	-.040	.136	-.042	-.293	.770
a. Dependent Variable: Financial Performance						

Source: Primary Data, 2015

The regression results of the overall model significance show a p-value of 0.170 which is greater than 0.05. The results failed to reject the hypothesis and it was concluded that firm competencies do not have an influence on financial performance. This can be interpreted to mean that competencies do not explain changes in financial performance of multinational corporations.

The model coefficient results show the beta coefficients of firm competencies (technological competencies, managerial competencies and employee competencies). Beta coefficients for technological competencies and managerial competencies were positive while beta coefficients for employee competencies was negative at $\alpha=0.05$. Technological competencies had a coefficient of 0.163 at a p-value of 0.284; managerial competencies had a coefficient of 0.159 at a p-value of 0.173 while employee competencies had a coefficient of -0.04 at a p-value of 0.770. None of the coefficients was significant meaning that the independent influence of the variables does not influence changes in financial performance.

4.10.6 Firm Competencies and Performance

Table 4.22 shows the coefficient of determination of firm competencies and overall financial performance was 0.468 which means 46.8 percent of overall firm performance was explained by firm competencies while the remaining 53.2 percent was explained by other factors not considered in the model. Results also point out a positive and strong relationship between firm competencies and performance at ($r=0.684$).

Table 4.22: Firm Competencies and Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.684 ^a	.468	.443	.27428		
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.236	3	1.412	18.771	.000 ^b
	Residual	4.815	64	.075		
	Total	9.051	67			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.424	.390		3.648	.001
	Technological Competencies	.132	.088	.152	1.499	.139
	Managerial Competencies	.253	.067	.425	3.771	.000
	Employee Competencies	.187	.079	.259	2.363	.021
a. Dependent Variable: Performance						

Source: Primary Data, 2015

The regression results of the overall model significance show a p-value of 0.000 which is less than 0.05. The results failed to reject the hypothesis and it was concluded that firm competencies have a significant influence on overall financial performance. The model coefficient results show coefficients for firm competencies (technological competencies, managerial competencies, employee competencies). Beta coefficients for technological competencies, managerial competencies and employee competencies were all positive at alpha= 0.05. Technological competencies had a beta value of 0.152 at a p-value of 0.139, managerial competencies had a beta value of coefficient of 0.425 at a p-value of 0.000 which is less than alpha=0.05. Employee competencies had a beta value of 0.259 at a p-value of 0.021 which is less than alpha= 0.05.

The regression model used to estimate MNC overall performance taking into consideration firm competencies is stated as:

$$FP = 1.424 C + 0.253 MC + 0.187 EC$$

(0.001) (0.000) (0.021)

The above regression model was interpreted to mean that a unit change in managerial competencies causes an increase of 0.253 in overall performance while a unit change in employee competencies causes an increase of 0.187 in overall performance.

4.11 Firm Competencies and Knowledge Management

The study set out to establish objective two which was to determine the relationship between firm competencies and knowledge management of MNC in Kenya. To derive this objective, a correlation analysis was done between firm competencies and knowledge management. Respondents had been asked to indicate the extent to which firm

competencies related to knowledge management. Coefficient analysis using Pearson's product moment coefficient was used to establish the relationship between technological competencies, managerial competencies, employee competencies, knowledge acquisition, knowledge application and knowledge dissemination indicators.

Table 4.23 shows the results of the correlation analysis. From the table, technological competencies has a correlation coefficient of 0.406 meaning that the relationship between technological competencies and managerial competencies is moderate and statistically significant at 95% confidence level as shown by ($r=0.406$, $p\text{-value}=0.001$). The study also computed the coefficient of determination (R^2) at ($0.406^2=0.165$) which was interpreted to mean that technological competencies explain 16.5 percent of the variation in managerial competencies.

The relationship between technological competencies and knowledge dissemination is moderate and statistically significant at 95% confidence level as shown by ($r=0.457$, $p\text{-value}=0.000$). The study also computed the coefficient of determination (R^2) at ($0.457^2=0.209$) which means that technological competencies explain 20.9 percent of the variation in knowledge dissemination the remaining 79.1 percent can be explained by other factors not considered in the model. Technological competencies relate with employee competencies at a Pearson correlation of 0.342 denoting that there is a low correlation at 95% confidence level as shown by ($r=0.342$, $p\text{-value}=0.004$).

This means that technological competencies explain 34.2 percent of employee competencies. The study also computed the coefficient of determination (R^2) at $(0.342^2=0.117)$ which was interpreted to mean that technological competencies explain 11.7 percent of the variation in employee competencies. The remaining 88.3 percent can be explained by other factors not considered in the model. The strongest relationship was between knowledge acquisition and knowledge dissemination at 95% confidence level as shown by $(r=0.550, p\text{-value}=0.000)$ and knowledge application and knowledge dissemination at 95% confidence level as shown by $(r=0.550, p\text{-value}=0.000)$.

The study also computed the coefficient of determination (R^2) at $(0.550^2=0.302)$ which was interpreted to mean that knowledge application and knowledge acquisition each explain 30.2 percent of the variation in knowledge dissemination. The remaining 69.8 percent can be explained by other factors not considered in the model. This means that in a competitive environment, MNC need to utilize both knowledge application and knowledge dissemination in order to achieve utmost performance. Thus knowledge management is a key factor for MNC to attain superior performance.

Table 4.23: Correlation Analysis

Correlations		Technological Competencies	Managerial Competencies	Employee Competencies	Knowledge Acquisition	Knowledge Application	Knowledge Dissemination
Technological Competencies	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	68					
Managerial Competencies	Pearson Correlation	.406**	1				
	Sig. (2-tailed)	.001					
	N	68	68				
Employee Competencies	Pearson Correlation	.342**	.538**	1			
	Sig. (2-tailed)	.004	.000				
	N	68	68	68			
Knowledge Acquisition	Pearson Correlation	.357**	.480**	.394**	1		
	Sig. (2-tailed)	.003	.000	.001			
	N	68	68	68	68		
Knowledge Application	Pearson Correlation	.357**	.480**	.394**	.564**	1	
	Sig. (2-tailed)	.003	.000	.001	.000		
	N	68	68	68	68	68	
Knowledge Dissemination	Pearson Correlation	.457**	.392**	.524**	.550**	.550**	1
	Sig. (2-tailed)	.000	.001	.000	.000	.000	
	N	68	68	68	68	68	68
** . Correlation is significant at the 0.01 level (2-tailed).							
* . Correlation is significant at the 0.05 level (2-tailed).							

Source: Research Data, 2015

4.12 Knowledge Management and Performance as moderated by Psychic Distance

Objective three was to explore the influence of psychic distance on the relationship between knowledge management and performance of MNC's in Kenya. To derive this objective, hypothesis three which stated that psychic distance has a moderating effect on the relationship between knowledge management and performance of MNC's was tested against performance parameters which composed of service delivery, firm learning and growth, internal business processes, financial and non-financial performance.

A moderator is a variable that changes the direction or magnitude and of strength of the relationship between two variables. Moderator specifies the conditions under which a given predictor is related to an outcome. A significant interaction between the moderator and the independent variable means that the effect of the independent variable on the dependent variable changes depending on the level of the moderator. To test this hypothesis, a hierarchical multiple regression analysis was conducted to establish the change in statistical parameters and significance of the models,

4.12.1 Knowledge Management and Service Delivery

The results on table 4.24 below show the regression results of the analysis done to establish moderating effect of psychic distance on the relationship between knowledge management and performance of multinational corporations in Kenya. Table 4.24 shows hierarchical regression results for the influence of knowledge management on service delivery. The regression results indicate that the coefficient of determination at model one was 0.050 meaning knowledge management explained 5 percent of the variation in service delivery. The remaining 95 percent was explained by other factors not considered in the study.

When psychic distance was considered at model 2, psychic distance adds significantly to service delivery performance as seen by an increase in variation from 0.050 to 0.172 (R^2 change = 0.122, p-value 0.013 which is < than 0.05). The results show that the variation explained by psychic distance is significant at ($F=4.632$, $p=0.013$) hence, psychic distance has a moderating influence on the relationship between knowledge management and service delivery performance. Results also indicate that service delivery depends on knowledge management. Thus the relationship between knowledge management and service delivery performance was moderated by psychic distance and was significant at p-value=0.013.

Table 4.24: Moderating effect of Psychic Distance on Knowledge Management and Service Delivery

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.224 ^a	.050	.021	.91424	.050	1.714	2	65	.188
2	.415 ^b	.172	.119	.86707	.122	4.632	2	63	.013
a. Predictors: (Constant), Knowledge Application, Knowledge Acquisition, Knowledge Dissemination									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Acquisition, Knowledge Application, Cultural Differences, Business Differences									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	2.865	2	1.433	1.714	.188 ^b			
	Residual	54.329	65	.836					
	Total	57.194	67						
2	Regression	9.831	4	2.458	3.269	.017 ^c			
	Residual	47.364	63	.752					
	Total	57.194	67						
a. Dependent Variable: Service Delivery									
b. Predictors: (Constant), Knowledge Application, Knowledge Acquisition Knowledge Dissemination									
c. Predictors: (Constant), Knowledge Application, Knowledge Acquisition, Knowledge Dissemination, , Cultural Differences, Business Differences									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.519	1.035		2.434	.018
	Knowledge Acquisition	-.007	.036	-.024	-.193	.848
	Knowledge Application	.136	.258	.078	.528	.600
	Knowledge Dissemination	.266	.230	.169	1.156	.252
2	(Constant)	.259	1.260		.205	.838
	Knowledge Acquisition	-.010	.034	-.036	-.307	.760
	Knowledge Application	-.241	.274	-.138	-.878	.383
	Knowledge Dissemination	.231	.223	.147	1.036	.304
	Business Differences	.401	.286	.184	1.399	.167
	Cultural Differences	.629	.245	.332	2.568	.013

a. Dependent Variable: Service Delivery

Source: Primary data

The model coefficient results show beta coefficient of the moderation of psychic distance on the relationship between knowledge management and service delivery performance. Model one shows the coefficient of the control variables without the moderator. Model two shows the relationship with the moderator. Beta coefficients knowledge acquisition and knowledge application were negative.

Knowledge acquisition had a beta value of 0.036 at a p-value of 0.760, knowledge application had a beta value of -0.138 at a p-value of 0.383, knowledge dissemination had a beta of 0.147 at a p-value of 0.304, and business differences had a beta of 0.184 at a p-value of 0.167 while cultural differences had a beta of 0.332 at a p-value of 0.013 which was less than 0.05. Thus, the regression model used to estimate MNCs service delivery performance taking into consideration the moderating effect of psychic distance is stated as:

$$SD=0.629 CD \\ (0.013)$$

The regression equation above indicates that in the relationship which is moderated, a unit change in cultural differences causes a 0.629 increase in service delivery performance.

4.12.2 Knowledge Management and Firm Learning and Growth

Table 4.25 shows that the coefficient of determination of knowledge management on firm learning and growth (model 1) was 0.083. This means that 8.3 percent of firm learning and growth was explained by knowledge management while the remaining 91.7 percent was explained by other factors not considered in the model. The model also shows that no significant relationship exists between knowledge management and FLG performance exists at model 1 with a p-value of 0.060 which is greater than 0.05. At model 2, psychic distance adds to firm learning and growth performance as seen by an increase in variation from 0.083 to 0.093 (R^2 change =0.01) p-value=0.703 which is > than 0.05. The results show that the variance explained by psychic distance is not significant at (p=0.703). Hence psychic distance does not influence the relationship between knowledge management and firm learning and growth performance.

Table 4.25 Moderating effect of Psychic Distance on Knowledge Management and Firm Learning and Growth

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.288 ^a	.083	.055	.57409	.083	2.944	2	65	.060
2	.305 ^b	.093	.036	.57988	.010	.355	2	63	.703
a. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences.									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	1.940	2	.970	2.944	.060 ^b			
	Residual	21.423	65	.330					
	Total	23.363	67						
2	Regression	2.179	4	.545	1.620	.180 ^c			
	Residual	21.184	63	.336					
	Total	23.363	67						
a. Dependent Variable: Firm Learning and Growth									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application									
c. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Cultural Differences, Business Differences									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.152	.644		4.890	.000
	Knowledge Acquisition	.024	.022	-.128	-1.060	.293
	Knowledge Application	.016	.160	-.015	-.102	.919
	Knowledge Dissemination	.293	.143	.291	2.042	.045
2	(Constant)	3.190	.837		3.813	.000
	Knowledge Acquisition	-.023	.022	-.124	-1.021	.311
	Knowledge Application	-.027	.182	-.024	-.146	.884
	Knowledge Dissemination	.314	.148	.312	2.121	.038
	Business Differences	-.115	.190	-.082	-.602	.549
	Cultural Differences	.095	.163	.078	.584	.561

a. Dependent Variable: Firm Learning and Growth

Source: Primary Data, 2015

The regression results show the overall significance of the model with a p-value of 0.180 at model two which is greater than 0.05. The results failed to reject the hypothesis and it was concluded that psychic distance did not have a moderating effect on the relationship between knowledge management and firm learning and growth performance.

The model coefficient results show the beta coefficients of the moderation of psychic distance on the relationship between knowledge management and firm learning and growth which is the dependent variable. Model one shows the relationship without the moderator. Model two shows the relationship with the moderator (psychic distance). Knowledge acquisition had a beta value of -0.124 at a p-value of 0.311. Knowledge application had a beta value of 0.024 at a p-value of 0.844, knowledge dissemination had a beta of 0.312 at a p-value of 0.038 which was less than 0.05. Business differences had a beta of -0.082 at a p-value of 0.549 while cultural differences had a beta of 0.078 at a p-value of 0.551.

Thus the regression model used to estimate MNC firm learning and growth performance taking into consideration the moderating effect of psychic distance is stated as:

$$\begin{array}{l}
 \text{FLG} = 3.190C + 0.314 \text{ KD} \\
 \quad (0.000) \quad (0.038)
 \end{array}$$

The regression equation above indicates that in the relationship which is mediated, a unit change in knowledge dissemination causes a 0.307 increase in firm learning and growth performance.

4.12.3 Knowledge Management and Internal Business Process

Table 4.26 shows regression results for the influence of knowledge management on IBP performance at model one. The coefficient of determination was 0.344 meaning knowledge management explains 34.4 percent of the variation in IBP. The results also indicate a significant relationship between knowledge management and IBP performance at $p=0.000$. When psychic distance was considered at model 2, psychic distance adds significantly to IBP as seen by an increase in variation from 0.344 to

0.389 (R^2 change= 0.045, $p=0.11$) which is $>$ than 0.05. The result indicates that the variance explained by psychic distance is not significant at ($P=0.110$). Hence psychic distance did not have a moderating effect on the relationship between knowledge management and IBP performance.

Table 4.26: Moderation of Psychic Distance on Knowledge Management and Internal Business Process

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.587 ^a	.344	.324	.42296	.344	17.078	2	65	.000
2	.624 ^b	.389	.350	.41482	.044	2.288	2	63	.110
a. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	6.110	2	3.055	17.078	.000 ^b			
	Residual	11.628	65	.179					
	Total	17.738	67						
2	Regression	6.897	4	1.724	10.021	.000 ^c			
	Residual	10.841	63	.172					
	Total	17.738	67						
a. Dependent Variable: Internal Business Processes									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Acquisition, Knowledge Application									
c. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.599	.476		3.358	.001
	Knowledge Acquisition	.015	.016	.090	-.886	.379
	Knowledge Application	.247	.118	.255	2.082	.041
	Knowledge Dissemination	.349	.106	.397	3.290	.002
2	(Constant)	2.368	.600		3.944	.000
	Knowledge Acquisition	.013	.016	.080	-.793	.431
	Knowledge Application	.358	.131	.370	2.743	.008
	Knowledge Dissemination	.381	.106	.434	3.586	.001
	Business Differences	-.244	.136	-.202	-1.791	.078
	Cultural Differences	-.108	.117	-.103	-.929	.356

a. Dependent Variable: Internal Business Processes

Source: Primary Data, 2015

The regression results on table 4.26 show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The results failed to reject the hypothesis and it was concluded that psychic distance had a moderating effect on the relationship between knowledge management and firm internal business performance.

The model coefficient results show the beta coefficients of the moderation of psychic distance on the relationship between knowledge management and firm IBP. Model one shows the coefficient of the control variables without the moderator. Model two shows the relationship with the moderator (psychic distance). Knowledge acquisition

had a beta of 0.080 at a p-value of 0.431, knowledge application had a beta value of 0.370 at a p-value of 0.008 which was less than $\alpha=0.05$, knowledge dissemination had a beta of 0.434 at a p-value of 0.001 which was less than 0.05, business differences had a negative beta of -0.202 at a p-value=0.078 while cultural differences had a beta of -0.103 at a p-value of 0.356.

Thus the regression model used to estimate MNC Internal business performance taking into consideration the moderating effect of psychic distance is stated as:

$$\text{IBP Performance} = 2.368C + 0.358KA + 0.381KD$$

$$(0.000) \quad (0.008) \quad (0.001)$$

The regression equation above indicates that in the relationship which is moderated, a unit change in knowledge application causes an increase of 0.358 in IBP performance while a unit change in knowledge dissemination causes an increase of 0.381 in IBP performance.

4.12.4 Knowledge Management and Non-Financial Performance

Table 4.27 shows that the coefficient of determination of knowledge management on non-financial performance (model 1) was 0.167. This means that 16.7 percent of the variation in non-financial performance was explained by knowledge management. The remaining 83.3 percent was explained by other factors not considered in the model. The model also shows a significant relationship between knowledge management and non-financial performance at model 1 with p-value= 0.003.

At model 2, psychic distance adds to non-financial performance as seen by an increase in variation from 0.167 to 0.194 (R^2 change=0.027) p-value =0.357 which is > than 0.05. The results show that the variance explained by psychic distance is not significant at p=0.357. Hence, psychic distance does not influence the relationship between knowledge management and non-financial performance.

Table 4.27: Moderation of Psychic Distance on Knowledge Management and Non- Financial Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.409 ^a	.167	.142	.50724	.167	6.524	2	65	.003
2	.440 ^b	.194	.143	.50688	.027	1.047	2	63	.357
a. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
c. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									
ANOVA^a									
Model		Sum of Squares		df	Mean Square	F	Sig.		
1	Regression	3.357		2	1.678	6.524	.003 ^b		
	Residual	16.724		65	.257				
	Total	20.081		67					
2	Regression	3.895		4	.974	3.790	.008 ^c		
	Residual	16.186		63	.257				
	Total	20.081		67					
a. Dependent Variable: Non-Financial Performance									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
d. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.423	.572		4.238	.000
	Knowledge Acquisition	.015	.020	.088	-.760	.450
	Knowledge Application	.122	.142	.118	.858	.394
	Knowledge Dissemination	.303	.127	.324	2.378	.020
2	(Constant)	1.939	.734		2.642	.010
	Knowledge Acquisition	.015	.020	.090	-.780	.438
	Knowledge Application	.030	.160	.029	.190	.850
	Knowledge Dissemination	.309	.130	.330	2.378	.021
	Business Differences	.014	.167	.011	.084	.934
	Cultural Differences	.205	.143	.183	1.439	.155

a. Dependent Variable: Non-Financial Performance

Source: Primary Data, 2015

The regression results on table 4.27 show the overall significance of the model with moderated effect indicated a p-value of 0.008 which was less than 0.05. The results thus failed to reject the hypothesis and it was concluded that psychic distance had a moderating effect on the relationship between knowledge management and non-financial performance.

The model coefficient results show the regression beta coefficients for the moderation of psychic distance on the relationship between knowledge management and non-financial performance. Model one shows the relationship between knowledge management and non-financial performance.

Model two shows the relationship with the moderator (psychic distance). Beta coefficients were all positive at alpha= 0.05. Knowledge acquisition had a beta value of 0.090 at a p-value= 0.438, knowledge application had a beta value of 0.029 at p-value =0.850, knowledge dissemination had a beta value of 0.330 at a p-value=0.021 which was less than alpha=0.05. Business differences had a beta value of 0.011 at a p-value of 0.934 and cultural distance had a beta value of 0.183 at a p-value= 0.155. Thus the regression model used to estimate MNC non-financial performance taking into consideration the moderating effect of psychic distance is stated as:

$$\text{NFP} = 1.939C + 0.309 \text{ KD}$$

(0.010) (0.021)

The regression equation above was interpreted to mean that a unit change in knowledge dissemination causes an increase of 0.309 in non-financial performance.

4.12.5 Knowledge Management and Financial Performance

Table 4.28 shows regression results for the influence of knowledge management on financial performance. The coefficient of determination was 0.433 meaning that knowledge management explained 43.3 percent of the variation in financial performance. The remaining 56.7 percent is explained by other variables not considered in the model. When psychic distance was considered at model two, it adds significantly to financial performance as seen by an increase in variance from 0.433 to 0.501 (R^2 change= 0.068), p- value= 0.019 which is less than 0.05. The results indicate that the variance explained by psychic distance is significant at p=0.019. Hence psychic distance has a moderating effect on the relationship between knowledge management and financial performance.

Table 4.28: Moderating effect of Psychic Distance on Knowledge Management and Financial Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.658 ^a	.433	.416	.36500	.433	24.868	2	65	.000
2	.708 ^b	.501	.469	.34808	.067	4.236	2	63	.019
a. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	6.626	2	3.313	24.868	.000 ^b			
	Residual	8.659	65	.133					
	Total	15.286	67						
2	Regression	7.653	4	1.913	15.790	.000 ^c			
	Residual	7.633	63	.121					
	Total	15.286	67						
a. Dependent Variable:									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
c. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.178	.413		2.850	.006
	Knowledge Acquisition	.001	.014	.007	.069	.945
	Knowledge Application	.332	.103	.370	3.232	.002
	Knowledge Dissemination	.309	.092	.379	3.359	.001
2	(Constant)	.263	.506		.519	.605
	Knowledge Acquisition	.001	.014	-.006	-.067	.946
	Knowledge Application	.195	.110	.217	1.768	.082
	Knowledge Dissemination	.276	.090	.339	3.086	.003
	Business Differences	.259	.115	.230	2.252	.028
	Cultural Differences	.160	.098	.163	1.622	.110

a. Dependent Variable: Financial

Source: Primary Data, 2015

The regression results on table 4.28 show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The hypothesis was thus accepted and it was concluded that psychic distance had a significant moderating effect on the relationship between knowledge management and firm performance.

The model coefficient results show the coefficients of knowledge management in model one. Model two shows the beta coefficients of the moderation of psychic distance on the relationship between knowledge management and financial performance. Beta coefficients were all positive at alpha=0.05. Knowledge acquisition

had a beta of -0.006 at a p-value of 0.946. Knowledge application had a beta value of 0.217 at a p-value of 0.082, knowledge dissemination had a beta value of 0.339 at a p-value of 0.003 which was less than $\alpha=0.05$, business differences had a beta value of 0.230 at a p-value of 0.028 which was less than $\alpha=0.05$ and cultural distance had a beta value of 0.163 at a p-value of 0.110. Thus the regression model used to estimate MNC financial performance taking into consideration the moderating effect of psychic distance is stated as:

$$FP = 0.276KD + 0.259BD$$

(0.003) (0.028)

The regression equation above was interpreted to mean that at model two with the moderator, a unit change in knowledge dissemination causes a 0.276 change in financial performance while a unit change in business differences causes a 0.259 change in financial performance.

4.12.6 Knowledge Management and Firm Performance

Table 4.29 below shows the regression results for the influence of knowledge management on overall performance. The coefficients of determination were 0.531 meaning that knowledge management explained 53.1 percent of the variation in overall performance. The remaining 46.9 was explained by other variables not considered in the model. When psychic distance was introduced at model two, it adds significantly to the overall performance as seen by an increase in variance from 0.531 to 0.601 (R^2 change= 0.07), p-value=0.006 which is less than 0.05. The results indicate that the variance explained by psychic distance is significant at $p=0.006$. Hence psychic distance has a moderating effect on the relationship between knowledge management and overall performance.

Table 4.29: Moderating effect of Psychic Distance on Knowledge Management and Firm Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.729 ^a	.531	.516	.25559	.531	36.777	2	65	.000
2	.775 ^b	.601	.575	.23951	.070	5.510	2	63	.006
a. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	4.805	2	2.402	36.777	.000 ^b			
	Residual	4.246	65	.065					
	Total	9.051	67						
2	Regression	5.437	4	1.359	23.695	.000 ^c			
	Residual	3.614	63	.057					
	Total	9.051	67						
a. Dependent Variable: Performance									
b. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition									
c. Predictors: (Constant), Knowledge Dissemination, Knowledge Application, Knowledge Acquisition, Cultural Differences, Business Differences									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.706	.254		6.706	.000
	Knowledge Application	.236	.070	.341	3.347	.001
	Knowledge Dissemination	.303	.064	.483	4.750	.000
	Knowledge Acquisition	.001	.183	.025	.371	.873
2	(Constant)	1.000	.326		3.068	.003
	Knowledge Application	.124	.074	.179	1.667	.101
	Knowledge Dissemination	.290	.061	.462	4.748	.000
	Knowledge Acquisition	.016	.194	.045	1.734	.901
	Business Differences	.133	.078	.154	1.694	.095
	Cultural Differences	.182	.067	.241	2.709	.009

a. Dependent Variable: Performance

Source: Primary Data, 2015

The regression results on table 4.29 show the overall significance of the model with moderated effect at model two indicating the p-value of 0.000 which was less than 0.050. The hypothesis was supported and it was concluded that psychic distance had a moderating effect on the relationship between knowledge management and overall firm performance.

The model coefficient results show the beta coefficients of the moderation effect of psychic distance on the relationship between knowledge management and overall performance. Model two shows the relationship with the moderator (psychic distance). Beta coefficients were all positive at alpha=0.05. Knowledge acquisition had a beta=0.045 at a p-value of 0.901, knowledge application had a Beta= 0.179 at p-value=0.101 indicating that overall performance does not depend of on knowledge application. Knowledge dissemination had a beta of 0.462 at a p-value=0.000 showing a significant relationship between knowledge dissemination and overall performance.

Business differences had a beta of 0.154 at a p-value=0.095 while cultural differences had a beta of 0.241 at a p-value=0.009 which is less than alpha=0.05. This indicates a significant relationship between cultural differences and overall performance. Thus the regression model used to estimate MNC overall performance taking into consideration the moderating effect of psychic distance is stated as:

$$OP = 1.000C + 0.290KD + 0.182CD$$

(0.000) (0.000) (0.009)

The regression equation above indicates that at model two with the moderator, a unit change in knowledge dissemination causes a 0.290 change in overall performance, while a unit change in cultural differences causes a 0.182 change in overall performance.

4.13 Firm Competencies and Performance with Knowledge Management as the mediator

Objective four was to determine the influence of knowledge management on the relationship between firm competencies and performance of MNC's in Kenya. To derive this objective, hypothesis four which stated that knowledge management has a mediating effect on the relationship between firm competencies and performance of MNC's in Kenya was tested against performance parameters which comprised of service delivery, firm learning and growth, internal business processes, non-financial performance, financial performance and overall performance.

The researcher sought to find out the extent to which knowledge management mediated the relationship between firm competencies and performance of MNC in Kenya. Descriptive statistics were shown together with correlation coefficients between variable relationships. Correlation was used to confirm the association between the dependent, independent and moderator variable. An increase in R^2 would suggest that a mediating effect of knowledge management on the relationship between firm competencies and performance of MNC's could be supported.

4.13.1 Firm Competencies and Service Delivery

Results on table 4.30 shows that the coefficient of determination for model one was 0.482 while model two which had the mediating variable had a coefficient of determination of 0.526. This means that the mediating effect of knowledge management on the relationship between firm competencies and service delivery performance explain 52.6 percent of the variation in service delivery. The remaining 47.4 percent was explained by other factors not considered in the model.

Table 4.30 shows that there is an R^2 change of 0.043 when the moderation of knowledge management is introduced. Further the F change =2.821 and significance of F change is 0.067 indicating that the interaction is significant. Therefore we reject the hypothesis at $\alpha= 0.05$ and conclude that knowledge management has a significant influence the relationship between firm competencies and service delivery.

Table 4.30: Mediating effect of Knowledge Management on Firm Competencies and Service Delivery

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.694 ^a	.482	.458	.68017	.482	19.877	3	64	.000
2	.725 ^b	.526	.487	.66158	.043	2.824	2	62	.067
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Application, Knowledge Acquisition, Knowledge Dissemination									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	27.586	3	9.195	19.877	.000 ^b			
	Residual	29.608	64	.463					
	Total	57.194	67						
2	Regression	30.058	5	6.012	13.735	.000 ^c			
	Residual	27.136	62	.438					
	Total	57.194	67						
a. Dependent Variable: Service Delivery									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies									
c. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Application, Knowledge Acquisition, Knowledge Dissemination									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.601	.577		6.245	.000
	Technological Competencies	.018	.134	.001	-.113	.051
	Managerial Competencies	.782	.021	.920	4.860	.002
	Employee Competencies	.523	.197	.510	2.873	.000
2	(Constant)	2.202	.693		3.179	.002
	Knowledge Acquisition	.016	.019	.071	-.876	.385
	Knowledge Application	.225	.151	.163	1.494	.140
	Knowledge Dissemination	.585	.123	.466	4.775	.000
	Technological Competencies	.921	.197	.141	3.752	.001
	Managerial Competencies	.281	.173	.381	4.619	.052
	Employee Competencies	.561	.351	.587	-.234	.483

a. Dependent Variable: Service delivery

Source: Primary Data, 2015

The regression results on table 4.30 show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The hypothesis was supported and it was concluded that knowledge management had a significant mediating effect on the relationship between firm competencies and service delivery performance.

The model coefficients results show the beta coefficients of the moderation of knowledge management on the relationship between firm competencies and service delivery performance. Model one shows the coefficients of explanatory variables while model two shows the coefficients of the variables together with the mediating

variable (knowledge management). The results on model two show coefficients for technological competencies (Beta= 0.141, p-value= 0.001) indicating a statistically significant relationship between service delivery performance and technological competencies, on the other hand, there is no statistically significant relationship between managerial competencies and service delivery performance at (Beta= 0.381, p-value= 0.052). Employee competencies, knowledge acquisition, knowledge application and knowledge dissemination had values of (Beta= 0.049; p-value=0.665, Beta=-0.222; p-value=0.052, Beta=0.163, p-value=0.140 and Beta=-0.052, p-value=0.661) respectively indicating no statistically significant relationship between the variables and service delivery performance. Thus the regression model used to estimate MNC service delivery performance taking into consideration the mediating effect of knowledge management is stated as:

$$SD = 2.202C + 0.585KD + 0.921TC$$

(0.002) (0.000) (0.001)

The regression equation above indicates that at model two with the intervening variable, a unit change in knowledge dissemination causes an increase of 0.508 in service delivery, while a unit change in technological competencies causes an increase of 0.921 in service delivery. From table 4.56, the regression coefficient of 2.202 under constant indicates the value of performance when other predictor variables are not there meaning that performance will still vary.

4.13.2 Mediating effect of Knowledge Management on Firm Competencies and Learning and Growth of the firm

Table 4.31 shows that the coefficient of determination for model one was 0.400 while model two with the mediating variable had a coefficient of determination of 0.407. This means the mediating effect of knowledge management on the relationship between firm competencies and firm learning and growth performance explain 40.7 percent of the variation. The remaining 59.3 percent is explained by other factors not considered in the model. The table further shows that there is a R^2 change of 0.07 when the mediator is introduced.

Table 4.31: Mediating effect of Knowledge Management on Firm Competencies and Learning and Growth of the firm

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.632 ^a	.400	.372	.46812	.400	14.205	3	64	.000
2	.638 ^b	.407	.360	.47257	.008	.400	2	62	.672
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies.									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination									

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.339	3	3.113	14.205	.000 ^b
	Residual	14.024	64	.219		
	Total	23.363	67			
2	Regression	9.517	5	1.903	8.523	.000 ^c
	Residual	13.846	62	.223		
	Total	23.363	67			
a. Dependent Variable: Firm Learning and Growth						
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies						
c. Predictors: (Constant), Employee Competencies, Technological Competencies,						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.303	.666		1.957	.055
	Technological Competencies	-.135	.150	-.096	-.896	.373
	Managerial Competencies	.053	.115	.056	.465	.644
	Employee Competencies	.732	.135	.629	5.403	.000
2	(Constant)	1.474	.727		2.026	.047
	Technological Competencies	-.108	.164	-.077	-.657	.513
	Managerial Competencies	.083	.122	.087	.682	.498
	Employee Competencies	.740	.150	.636	4.934	.000
	Knowledge Acquisition	-.006	.019	-.030	-.296	.768
	Knowledge Application	-.125	.141	-.113	-.887	.379
	Knowledge Dissemination	.017	.135	.017	.124	.901
a. Dependent Variable: Firm Learning and Growth						
Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination						

Source: Primary Data, 2015

The regression results on table 4.31 show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The hypothesis was thus upheld and it was concluded that knowledge management had a significant mediating effect on the relationship between firm competencies and firm learning and growth performance.

The model coefficients results show the beta coefficients of the mediating effect of knowledge management on the relationship between firm competencies and firm learning and growth performance. Model one shows the relationship between firm competencies and firm learning and growth while model two shows the relationship with the mediating variable (knowledge management).

At model two, technological competencies had a beta value of -0.77 at a p-value of 0.513, managerial competencies had a beta value of 0.087 at a p-value of 0.498, employee competencies had a beta value of 0.636 at a p-value of 0.000 which was less than $\alpha=0.05$ indicating a significant relationship, knowledge acquisition had a beta value of -0.030 at a p-value of 0.768; knowledge dissemination had a beta value of 0.017 at a p-value of 0.901, knowledge application had a beta of -0.113 at a p-value of 0.379.

Thus the regression model used to estimate MNC firm learning and growth performance taking into consideration the mediating effect of knowledge management is stated as:

$$FP = 1.474C + 0.740EC$$

$$(0.047) (0.000)$$

The regression equation above was interpreted to mean that at model two a unit change in employee competencies causes a 0.740 change in firm learning and growth performance.

4.13.3 Mediating effect of Knowledge Management on Firm Competencies and Internal Business Process

Table 4.32 shows that the coefficient of determination for model one was 0.363 while model two with the mediating variable had a coefficient of determination of 0.452. This means the mediating effect of knowledge management on the relationship between firm competencies and internal business processes performance explain 45.2 percent of the variation in internal business performance. The remaining 54.8 percent is explained by other factors not considered in the model.

Table 4.32: Mediation of Knowledge Management on Firm Competencies and Internal Business Process

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. Change	F
1	.602 ^a	.363	.333	.42033	.363	12.132	3	64	.000	
2	.672 ^b	.452	.408	.39606	.089	5.043	2	62	.009	
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies										
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination										
ANOVA^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	6.430	3	2.143	12.132	.000 ^b				
	Residual	11.308	64	.177						
	Total	17.738	67							
2	Regression	8.013	5	1.603	10.216	.000 ^c				
	Residual	9.725	62	.157						
	Total	17.738	67							
a. Dependent Variable: Internal Business Processes										
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies										
c. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination										

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.732	.598		1.224	.225
	Technological Competencies	.160	.135	.131	1.184	.241
	Managerial Competencies	.036	.103	.043	.347	.730
	Employee Competencies	.525	.122	.518	4.321	.000
2	(Constant)	.591	.609		.971	.336
	Technological Competencies	.047	.137	.038	.340	.735
	Managerial Competencies	-.039	.103	-.047	-.379	.706
	Employee Competencies	.398	.125	.392	3.169	.002
	Knowledge Acquisition	-.008	.016	-.048	-.484	.630
	Knowledge Application	.209	.118	.216	1.767	.082
	Knowledge Dissemination	.189	.113	.216	1.671	.100

a. Dependent Variable: Internal Business Processes

Source: Primary Data, 2015

The regression results on table 4.32 show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The table indicates that the mediation effect of knowledge management on firm competencies and internal business performance is statistically significant at (F=10.216, p-value=0.000). This implies that knowledge management affects the relationship between firm competencies and internal business performance. The hypothesis was accepted and it was concluded that knowledge management did not have a significant mediating effect on the relationship between firm competencies and internal business process performance.

The model coefficients results show coefficients of explanatory variables in model one while model two shows the coefficient of variables together with the mediating variables. The results at model two show a statistically significant regression coefficient for employee competencies at (Beta= 0.392, p-value= 0.002) indicating that there is dependence of firm IBP on employee competencies. On the other hand, there is no statistically significant relationship between knowledge application and IBP detected at (Beta= 0.216, p-value= 0.082). This implies that changes in knowledge management may affect the firm competencies- IBP performance relationship as the direction of the relationship is positive. There is no statistically significant relationship between knowledge acquisition and knowledge dissemination on IBP performance at (Beta= -0.048, p-value=0.630 and Beta=0.211, p-value=0.104).

Thus the regression model used to estimate MNC IBP performance taking into consideration the mediating effect of knowledge management is stated as:

$$\text{IBP performance} = 0.398 \text{ EC} \\ (0.002)$$

The regression model above is interpreted to mean that a unit change of employee competencies causes an increase of 0.398 in IBP performance. The current findings support the notion that resources such as employee competencies have the ability to transform the organization into a superior performance organization.

4.13.4: Mediating effect of Knowledge Management on Firm Competencies and Non-Financial Performance

Table 4.33 shows that the coefficient of determination for model one was 0.515 while model two with the mediating variable had a coefficient of determination of 0.520. This means that the mediating effect of knowledge management on the relationship between firm competencies and non-financial performance explain 52 percent of the variation in non-financial performance. The remaining 48 percent is explained by other factors not considered in the model. The table also indicates an R^2 change of 0.015 when the mediator is introduced.

Table 4.33: Mediation of Knowledge Management on Firm Competencies and Non-Financial Performance

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. Change	F
1	.718 ^a	.515	.492	.39016	.515	22.639	3	64	.000	
2	.721 ^b	.520	.481	.39422	.005	.344	2	62	.710	
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies										
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination										
ANOVA^a										
Model		Sum of Squares	df	Mean Square	F	Sig.				
1	Regression	10.339	3	3.446	22.639	.000 ^b				
	Residual	9.743	64	.152						
	Total	20.081	67							
2	Regression	10.446	5	2.089	13.442	.000 ^c				
	Residual	9.636	62	.155						
	Total	20.081	67							
a. Dependent Variable: Non-Financial Performance										
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies										
c. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination										

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.319	.555		.575	.567
	Technological Competencies	.101	.125	.078	.806	.423
	Managerial Competencies	.348	.096	.392	3.641	.001
	Employee Competencies	.415	.113	.385	3.676	.000
2	(Constant)	.426	.607		.702	.486
	Technological Competencies	.109	.137	.084	.798	.428
	Managerial Competencies	.371	.102	.418	3.632	.001
	Employee Competencies	.411	.125	.381	3.283	.002
	Knowledge Acquisition	-.003	.016	-.016	-.172	.864
	Knowledge Application	-.099	.118	-.096	-.838	.405
	Knowledge Dissemination	.040	.113	.043	.357	.723

a. Dependent Variable: Non-Financial Performance

Source: Primary Data, 2015

The regression results on table 4.33 show overall significance of the model with the p-value of 0.000 which is less than 0.05. The hypothesis was supported and it was concluded that knowledge management had a significant mediating effect on the relationship between firm competencies and non-financial performance.

The model coefficients results show coefficients of explanatory variables in model one while model two shows the coefficient of variables together with the mediating variable. The results show a statistically significant regression coefficient for managerial competencies and employee competencies in the relationship with the mediator, at (Beta= 0.419, p-value= 0.00 and Beta= 0.381, p-value=0.002). On the other hand, there is no statistically significant relationship between knowledge

acquisition, application and knowledge dissemination on non-financial performance detected at (Beta=-0.016, p-value=0.864; Beta= -0.096, p-value= 0.405 and Beta=0.043, p-value=0.723) respectively. This implies that changes in knowledge management may not affect the firm competencies- non-financial performance relationship. Thus the regression model used to estimate MNC non-financial performance taking into consideration the mediating effect of knowledge management is stated as:

$$\text{Non-financial performance} = 0.371\text{MC} + 0.411\text{EC}$$

$$(0.001) \quad (0.002)$$

The regression model is interpreted to mean that a unit change of managerial competencies causes an increase of 0.371 in non-financial performance and a unit change in employee competencies causes an increase of 0.411 in non-financial performance. The current study findings echo the assertion from previous studies that competencies have a significant effect on MNC performance.

4.13.5 Mediating effect of Knowledge Management on Firm Competencies and Financial Performance

Table 4.34 shows that the coefficient of determination for model one was 0.075 while model two with the mediating variable had a coefficient of determination of 0.512, indicating an R² change of 0.437. This means that the mediating effect of knowledge management on the relationship between firm competencies and financial performance explain 51.2 percent of the variation in financial performance. The remaining 48.8 percent of the variation is explained by factors not considered in the model.

Table 4.34: Firm Competencies and Financial Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.274 ^a	.075	.032	.47003	.075	1.729	3	64	.170
2	.716 ^b	.512	.473	.34683	.437	27.773	2	62	.000
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	1.146	3	.382	1.729	.170 ^b			
	Residual	14.139	64	.221					
	Total	15.286	67						
2	Regression	7.828	5	1.566	13.015	.000 ^c			
	Residual	7.458	62	.120					
	Total	15.286	67						
a. Dependent Variable:									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies									
c. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination.									

Source: Primary Data, 2015

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.528	.669		3.780	.000
	Technological Competencies	.163	.151	.144	1.081	.284
	Managerial Competencies	.159	.115	.205	1.379	.173
	Employee Competencies	-.040	.136	-.042	-.293	.770
2	(Constant)	2.126	.534		3.981	.000
	Technological Competencies	-.099	.120	-.087	-.822	.414
	Managerial Competencies	.026	.090	.034	.293	.771
	Employee Competencies	-.308	.110	-.327	-2.796	.007
	Knowledge Acquisition	-.003	.014	-.023	-.251	.803
	Knowledge Application	.372	.104	.413	3.584	.001
	Knowledge Dissemination	.450	.099	.552	4.528	.000

a. Dependent Variable: Financial

Source: Primary Data, 2015

The regression results show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The hypothesis was supported and it was concluded that knowledge management had a significant mediating influence on the relationship between firm competencies and firm performance.

The model coefficients results show coefficients of explanatory variables in model one while model two shows the coefficients of variables together with the mediating variable. The results show a statistically significant regression coefficient for employee competencies, knowledge application and knowledge dissemination in the

relationship with the mediator (Beta= -0.327, p-value= .007, Beta=0.413, p-value=.001 and Beta=0.552, p-value=.000) respectively. This implies that changes in the variables may positively affect the firm competencies- financial performance relationship as the direction of the relationship is positive.

On the other hand, there is no statistically significant relationship between knowledge acquisition, technological and managerial competencies on financial performance detected at (Beta=-0.023, p-value=0.803; Beta=-0.087, p-value= 0.414, Beta=0.034, p-value=0.771). Thus the regression model used to estimate MNC financial performance taking into consideration the mediating effect of knowledge management is stated as:

$$\text{Financial performance} = 2.126C - 0.308EC + 0.372KA + 0.450KD$$

$$(0.000) \quad (0.007) \quad (0.001) \quad (0.000)$$

The regression model is interpreted to mean that a unit change of employee competencies causes a decrease of 0.308 in financial performance, a unit change in knowledge application causes an increase of 0.372 in financial performance and a unit change in knowledge dissemination causes a positive increase of 0.450 in financial performance. The current study findings echo the assertion from previous studies that knowledge management has a significant effect on MNC performance.

4.13.6 Mediating effect of Knowledge Management on Firm Competencies and Firm Performance

Results on table 4.35 shows that the coefficient of determination was 0.468 in model one while model two with the mediator variable had a coefficient of determination of 0.634, indicating an R² change of 0.166. This means the mediating effect of knowledge management on the relationship between firm competencies and overall firm performance explains 63.4 percent of the variation in overall performance. The remaining 36.6 percent was explained by other factors not considered in the model.

Table 4.35: Mediation of Knowledge Management on Firm Competencies and Firm Performance

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.684 ^a	.468	.443	.27428	.468	18.771	3	64	.000
2	.796 ^b	.634	.604	.23115	.166	14.057	2	62	.000
a. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination									
ANOVA^a									
Model		Sum of Squares	df	Mean Square	F	Sig.			
1	Regression	4.236	3	1.412	18.771	.000 ^b			
	Residual	4.815	64	.075					
	Total	9.051	67						
2	Regression	5.738	5	1.148	21.481	.000 ^c			
	Residual	3.313	62	.053					
	Total	9.051	67						
a. Dependent Variable: Performance									
b. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies									
c. Predictors: (Constant), Employee Competencies, Technological Competencies, Managerial Competencies, Knowledge Acquisition, Knowledge Application, Knowledge Dissemination									
Coefficients^a									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.			
		B	Std. Error	Beta					
1	(Constant)	2.848	.781		3.648	.001			
	Technological Competencies	.264	.176	.152	1.499	.139			
	Managerial Competencies	.506	.134	.425	3.771	.000			
	Employee Competencies	.375	.159	.259	2.363	.021			
2	(Constant)	2.551	.711		3.587	.001			
	Technological Competencies	.010	.160	.006	.064	.949			
	Managerial Competencies	.398	.120	.334	3.319	.002			
	Employee Competencies	.103	.147	.071	.703	.485			
	Knowledge Acquisition	-.006	.018	-.027	-.335	.739			
	Knowledge Application	.273	.138	.197	1.974	.053			
	Knowledge Dissemination	.490	.132	.391	3.703	.000			
a. Dependent Variable: Performance									

Source: Primary Data, 2015

The regression results on table 4.35 show the overall significance of the model with a p-value of 0.000 which is less than 0.05. The results were in support of the hypothesis and it was concluded that knowledge management had a significant mediating influence on the relationship between firm competencies and overall firm performance.

The model coefficients results show coefficients of variables in model one while model two shows the coefficients of variables together with the mediating variable. The results show a statistically significant regression coefficient for managerial competencies and knowledge dissemination in the relationship which is mediated, at (Beta= 0.334, p-value= 0.002 and Beta=0.391, p-value=.000) respectively. This implies that changes in the variables may positively affect the firm competencies-overall performance relationship as the direction of the relationship is positive. On the other hand, there is no statistically significant relationship between knowledge acquisition, knowledge application, technological and employee competencies on overall performance detected at (Beta=-0.027, p-value= 0.739; Beta=0.197, p-value=0.053; Beta=0.006, p-value= 0.949, Beta=0.071, p-value=0.485).

Thus the regression model used to estimate MNC overall performance taking into consideration the moderating effect of knowledge management is stated as:

$$\text{Overall performance} = 2.551C + 0.398MC + 0.490KD$$

(0.001) (0.002) (0.000)

The regression model above is interpreted to mean that a unit change of managerial competencies causes an increase of 0.398 in overall performance and a unit change in knowledge dissemination causes an increase of 0.490 in overall performance.

4.14 Joint effect of Competencies, Knowledge Management and Psychic Distance on Multinational Corporation Performance

Objective five was to establish the joint effect of firm competencies, knowledge management, and psychic distance on performance of MNC's in Kenya. To derive this objective, hypothesis five which stated that the joint effect of firm competencies, knowledge management and psychic distance on Multinational Corporation's performance is different from the individual effects of each of the variables on performance of MNC's in Kenya was divided into six sub hypothesis. The joint effect was tested against performance parameters which composed of service delivery, firm learning and growth, internal business processes, non-financial, financial performance and overall performance.

4.14.1 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Service Delivery

The study sought to determine the joint effect of firm competencies, knowledge management and psychic distance on firm performance. To assess the joint effect, hypothesis five was formulated as follows:

H₅The joint effect of firm competencies, knowledge management, and psychic distance on Multinational Corporation's performance is different from the individual effects of each of the variables. Table 4.36 reveals that the joint effect of cultural differences, knowledge dissemination, business differences, employee competencies, technological competencies, knowledge application, knowledge acquisition, managerial competencies explain 53.6 percent of the variation in service delivery ($R^2=0.536$). The remaining 46.4 percent is explained by other variables not considered in the model.

Table 4.36: Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Service Delivery

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.732 ^a	.536	.482	.66525		
a. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.641	7	4.377	9.891	.000 ^b
	Residual	26.554	60	.443		
	Total	57.194	67			
a. Dependent Variable: Service Delivery						
b. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.006	1.086		-.926	.358
	Technological Competencies	.392	.245	.179	1.602	.114
	Managerial Competencies	1.110	.189	.741	5.883	.000
	Employee Competencies	.035	.218	.019	.159	.875
	Knowledge Acquisition	.003	.027	.011	.115	.909
	Knowledge Application	-.408	.213	-.235	-1.916	.060
	Knowledge Dissemination	-.110	.194	-.070	-.569	.572
	Business Differences	.235	.229	.108	1.029	.308
	Cultural Differences	-.106	.223	-.056	-.477	.635
a. Dependent Variable: Service Delivery						

Source: Primary Data, 2015

The regression results on table 4.36 show that the joint effect of the study variables are statistically significant ($F=9.891$, $p\text{-value} = 0.000$) which was $>$ than 0.05. This implies that the study variables jointly predict service delivery.

The model coefficients results show coefficients of the joint effect of firm competencies, knowledge management and psychic distance on service delivery performance. The regression coefficients reveal that managerial competencies had the largest contribution to service delivery performance at ($\text{Beta} = 0.74$, $t\text{ value} = 5.883$, $p\text{-value} = 0.000$). This implies that changes in managerial competencies may positively affect the joint effect of the variables on service delivery performance as the direction of the relationship is positive.

On the other hand there is no statistically significant relationship between technological competencies, employee competencies, knowledge acquisition, knowledge application, knowledge dissemination, business differences and cultural differences on service delivery performance at ($\text{Beta} = 0.179$, $p\text{-value} = 0.114$; $\text{Beta} = 0.019$, $p\text{-value} = 0.875$; $\text{Beta} = 0.011$, $p\text{-value} = 0.909$; $\text{Beta} = -0.235$, $p\text{-value} = 0.060$; $\text{Beta} = -0.070$, $p\text{-value} = 0.572$; $\text{Beta} = 0.108$, $p\text{-value} = 0.308$ and $\text{Beta} = -0.056$, $p\text{-value} = 0.635$) respectively. Thus the regression model used to estimate MNC joint effect of the variables on service delivery performance is stated as:

$$\text{SDP Joint effect} = 1.110\text{MC}$$
$$(0.000)$$

The regression model is interpreted to mean that a unit change of managerial competencies causes an increase of 1.110 in service delivery performance. The current study findings echo the assertion from previous studies that the joint effect of the variables on performance is greater than the individual effects of each of the variables on performance.

4.14.2 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Learning and Growth

Table 4.37 reveals that the joint effect of firm competencies, knowledge management and psychic distance explain 45 percent of the variation in firm learning and growth ($R^2 = 0.450$). The remaining 55 percent is explained by other factors not considered in the model.

Table 4.37: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Learning and Growth

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.671 ^a	.450	.386	.46260		
a. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies.						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.523	7	1.503	7.025	.000b
	Residual	12.840	60	.214		
	Total	23.363	67			
a. Dependent Variable: Firm Learning and Growth						
b. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.931	.755		2.557	.013
	Technological Competencies	-.058	.170	-.042	-.344	.732
	Managerial Competencies	.079	.131	.082	.602	.550
	Employee Competencies	.812	.152	.698	5.362	.000
	Knowledge Acquisition	-.003	.019	-.015	-.146	.884
	Knowledge Application	-.045	.148	-.041	-.306	.761
	Knowledge Dissemination	.027	.135	.027	.199	.843
	Business Differences	-.339	.159	-.244	-2.132	.037
	Cultural Differences	-.007	.155	-.006	-.048	.962

a. Dependent Variable: Firm Learning and Growth

Source: Primary Data, 2015

The regression results on table 4.36 show that the joint effect of the study variables are statically significant ($F= 7.025$, $p\text{-value}= 0.000$). This implies that the study variables jointly predict firm learning and growth.

The model coefficients results show the coefficients of the joint effect of firm competencies, knowledge management and psychic distance on firm learning and growth performance. The regression coefficient reveal that employee competencies had the largest contribution to firm learning and growth performance at (Beta=0.698, t-value=-5.362, p-value=0.000). This implies that changes in employee competencies positively affect the joint effect of the variables on firm learning and growth performance as the direction of the relationship is positive. Business differences had a significant influence on the relationship at Beta=-0.244, p-value=0.037.

On the other hand, there is no statistically significant relationship between technological competencies, managerial competencies, knowledge acquisition, knowledge application, knowledge dissemination and cultural difference at (Beta= -0.042, p-value=0.732; Beta= 0.082, p-value=0.550, Beta=-0.015, p-value=0.884 and Beta=-0.027, p-value=0.084; Beta=0.006, p-value=0.962), respectively. Thus the regression model used to estimate multinational corporations joint effect of the variables on firm learning and growth performance is stated as:

$$\text{FLG Joint effect} = 1.931C + 0.812EC - 0.3339BD$$

$$(0.013) \quad (0.000) \quad (0.037)$$

This was interpreted to mean that a unit change in employee competencies causes a 0.812 change in firm learning and growth performance while a unit change in business differences causes a negative change of 0.339 in firm learning and growth performance. The current study findings echo the assertion from previous studies that the joint effect of the variables on performance is greater than the individual effects.

4.14.3 Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Internal Business Process

Table 4.38 reveals that the joint effect of cultural differences, knowledge dissemination, business differences, employee competencies, technological competencies, knowledge application, managerial competencies explain 55.8 percent of the variation in internal business process ($R^2=0.558$). The remaining 44.2 is explained by other factors not considered in the model.

Table 4.38: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Internal Business Process

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.747 ^a	.558	.506	.36165		
a. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.891	7	1.413	10.803	.000 ^b
	Residual	7.847	60	.131		
	Total	17.738	67			
a. Dependent Variable: Internal Business Processes						
b. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Application, Knowledge Acquisition, Managerial Competencies						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.321	.590		2.239	.029
	Technological Competencies	.178	.133	.146	1.340	.185
	Managerial Competencies	.030	.103	.036	.293	.771
	Employee Competencies	.464	.118	.458	3.921	.000
	Knowledge Acquisition	-.004	.014	-.027	-.297	.767
	Knowledge Application	.357	.116	.368	3.083	.003
	Knowledge Dissemination	.166	.105	.189	1.572	.121
	Business Differences	-.399	.124	-.329	-3.209	.002
	Cultural Differences	-.225	.121	-.213	-1.862	.068
a. Dependent Variable: Internal Business Processes						

Source: Primary Data, 2015

The regression results on table 4.36 show that the joint effect of the study variables are statistically significant ($F=10.803$, $p\text{-value}= 0.000$). This implies that the study variables jointly predict Internal Business Performance.

The model coefficients results show coefficients of the joint effect of firm competencies, knowledge management and psychic distance on internal business performance. The regression coefficients reveal that employee competencies had the largest contribution to IBP at ($Beta=0.458$, $t\text{ value}=3.921$ and $p\text{-value}=0.000$).

This implies that changes in employee competencies may positively affect the joint effect of the variables on internal business performance as the direction of the relationship is positive. Knowledge application and business differences also had a significant relationship at Beta=0.368, p-value=0.003 and Beta=-0.329, p-value=0.002 which is less than alpha=0.05. On the other hand there is no statistically significant relationship between technological competencies, managerial competencies, knowledge acquisition, knowledge dissemination and cultural differences on internal business performance at (Beta=0.146, p-value= 0.185; Beta=0.036, p-value=0.771; Beta=-0.027, p-value=0.767; Beta= 0.189, p-value= 0.121 and Beta=-0.213, p-value=0.068 respectively. The regression model that estimate multinational performance, firm internal business process performance joint effect is stated as:

$$\text{IBP Joint effect} = 1.321C + 0.464EC + 0.357KA - 0.399BD$$

$$(0.029) \quad (0.000) \quad (0.003) \quad (0.002)$$

This was interpreted to mean that a unit change in employee competencies causes a 0.464 change in IBP, a unit change in knowledge application causes a 0.357 change in IBP while a unit change in business differences causes a 0.399 change in IBP. The current study findings echo the assertion from previous studies that the joint effect of the variables on performance is greater than the individual effects.

4.14.4 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Non-Financial Performance

Table 4.39 reveals that the joint effect of cultural differences, knowledge dissemination, business differences, employee competencies, technological competencies, knowledge application, knowledge acquisition, managerial competencies explain 53.8 percent of the variation in non-financial performance ($R^2=0.538$). The remaining 46.2 is explained by other variables not considered in the model.

Table 4.39: Joint effect of firm competencies, knowledge management and psychic on Non-Financial Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.734 ^a	.538	.485	.39306		
a. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.812	7	1.545	9.997	.000 ^b
	Residual	9.270	60	.154		
	Total	20.081	67			
a. Dependent Variable: Non-Financial Performance						
b. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.749	.642		1.167	.248
	Technological Competencies	.171	.145	.131	1.180	.243
	Managerial Competencies	.406	.112	.458	3.645	.001
	Employee Competencies	.437	.129	.405	3.394	.001
	Knowledge Acquisition	-.001	.016	-.008	-.083	.934
	Knowledge Application	-.032	.126	-.031	-.256	.799
	Knowledge Dissemination	.027	.115	.029	.239	.812
	Business Differences	-.168	.135	-.130	-1.239	.220
	Cultural Differences	-.113	.131	-.100	-.859	.394
a. Dependent Variable: Non-Financial Performance						

Source: Primary Data, 2015

The regression results on table 4.39 show that the joint effect of the study variables are statistically significant (F=9.997, p-value= 0.000). This implies that the study variables jointly predict non-financial performance. The model coefficients results show coefficients of the joint effect of firm competencies, knowledge management and psychic distance on non-financial performance.

The regression coefficients reveal that managerial competencies had the largest contribution to non-financial performance at (Beta=0.458, t value=3.645 and p-value=0.000). This implies that changes in managerial competencies may positively affect the joint effect of the variables on non-financial performance as the direction of the relationship is positive. Employee competencies also had a significant relationship at Beta=0.405, p-value=0.001 which is less than alpha=0.05.

On the other hand there is no statistically significant relationship between technological competencies, knowledge acquisition, knowledge application, knowledge dissemination, business differences and cultural differences on non-financial performance at (Beta=0.131, p-value= 0.243; Beta=-0.008, p-value=0.934; Beta=-0.030, p-value=0.799; Beta= 0.029, p-value= 0.812; Beta=-0.130, p-value=0.220 and Beta=-0.100, p-value=0.394 respectively. The regression model that estimate multinational performance, non-financial performance joint effect is stated as:

$$\text{Non-financial performance} = 0.406\text{MC} + 0.437\text{EC}$$

$$(0.01) \quad (0.001)$$

This was interpreted to mean that a unit change in managerial competencies causes a 0.406 change in non-financial performance while a unit change in employee competencies causes a 0.437 change in non-financial performance. The findings echo the assertion from previous studies that the joint effect of the variables on performance is greater than the individual effects.

4.14.5 Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Financial Performance

Table 4.40 reveals that the joint effect of cultural differences, knowledge dissemination, business differences, employee competencies, technological competencies, knowledge application, managerial competencies explain 66.4 percent of the variation in financial performance ($R^2=0.664$). The remaining 33.6 is explained by other variables not considered in the model.

Table 4.40: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Financial Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.815 ^a	.664	.624	.29273		
a. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.144	7	1.449	16.912	.000 ^b
	Residual	5.141	60	.086		
	Total	15.286	67			
a. Dependent Variable: Financial performance						
b. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Application, Knowledge Acquisition, Managerial Competencies						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.310	.477		2.748	.008
	Technological Competencies	-.262	.107	-.231	-2.442	.018
	Managerial Competencies	-.074	.083	-.096	-.895	.374
	Employee Competencies	-.367	.096	-.390	-3.834	.000
	Knowledge Acquisition	-.007	.012	-.046	-.582	.563
	Knowledge Application	.200	.093	.223	2.143	.036
	Knowledge Dissemination	.488	.085	.599	5.726	.000
	Business Differences	.402	.100	.357	4.001	.000
	Cultural Differences	.317	.098	.324	3.251	.002

a. Dependent Variable: Financial

Source: Primary Data, 2015

The regression results on table 4.40 show that the joint effect of the study variables are statistically significant ($F=16.912$, $p\text{-value}= 0.000$). This implies that the study variables jointly predict financial performance.

The model coefficients results show coefficients of the joint effect of firm competencies, knowledge management and psychic distance on financial performance. The regression coefficients reveal that knowledge dissemination had the largest contribution to financial performance at ($Beta=0.591$, $t\text{ value}=5.726$ and $p\text{-value}=0.000$). This implies that changes in knowledge dissemination positively affects the joint effect of the variables on financial performance as the direction of the relationship is positive.

Technological competencies, employee competencies, knowledge application, business differences and cultural differences also had a significant relationship at Beta=-0.231, p-value= 0.018; Beta=-0.390, p-value=0.000; Beta= 0.223, p-value= 0.036; Beta=0.357, p-value=0.000 and Beta=0.324, p-value=0.002 respectively, which was less than alpha=0.05. On the other hand there is no statistically significant relationship between managerial competencies on financial performance at (Beta=-0.096, p-value= 0.374). The regression model that estimate multinational performance, non-financial performance joint effect is stated as:

$$FP = 1.310C - 0.262TC - 0.367EC + 0.200KA + 0.488KD + 0.402BD + 0.317CD$$

(0.008) (0.018) (0.000) (0.036) (0.000) (0.000) (0.002)

This was interpreted to mean that a unit change in technological competencies, employee competencies, knowledge application, knowledge dissemination, business differences and cultural differences causes a respective change of 0.262, 0.367, 0.200, 0.488, 0.402 and 0.317 in firm performance. The current study findings echo the assertion from previous studies that the joint effect of the variables on performance is greater than the individual effects of each of the variables on performance of multinational corporations in Kenya.

4.14.6: Joint Effect of Firm Competencies, Knowledge Management and Psychic Distance on Firm Performance.

Table 4.41 reveals that the joint effect of cultural differences, knowledge dissemination, business differences, employee competencies, technological competencies, knowledge application, managerial competencies explain 65.7 percent of the variation in overall performance ($R^2=0.657$).

The remaining 33.6 percent is explained by other variables not considered in the model. The regression results on table 4.41 show that the joint effect of the study variables are statistically significant ($F=16.448$, $p\text{-value}= 0.000$). This implies that the study variables jointly predict financial performance.

Table 4.41: Joint effect of Firm Competencies, Knowledge Management and Psychic Distance on Firm Performance

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of Estimate		
1	.811 ^a	.657	.617	.22733		
a. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Acquisition, Managerial Competencies						
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.950	7	.850	16.448	.000 ^b
	Residual	3.101	60	.052		
	Total	9.051	67			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Cultural Differences, Knowledge Dissemination, Business Differences, Employee Competencies, Technological Competencies, Knowledge Application, Knowledge Application, Knowledge Acquisition, Managerial Competencies.						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.059	.741		2.778	.007
	Technological Competencies	-.092	.167	-.053	-.548	.585
	Managerial Competencies	.332	.129	.279	2.580	.012
	Employee Competencies	.070	.149	.049	.474	.637
	Knowledge Acquisition	-.008	.018	-.035	-.447	.657
	Knowledge Application	.168	.145	.121	1.157	.252
	Knowledge Dissemination	.515	.132	.411	3.889	.000
	Business Differences	.234	.156	.135	1.500	.139
	Cultural Differences	.205	.152	.136	1.347	.183

a. Dependent Variable: Performance

Source: Primary Data, 2015

The model coefficients results show coefficients of the joint effect of firm competencies, knowledge management and psychic distance on overall performance. The regression coefficients reveal that knowledge dissemination had the largest contribution to overall performance at (Beta=0.411, t value=3.889 and p-value=0.000). This implies that changes in knowledge dissemination positively affects the joint effect of the variables on overall performance as the direction of the relationship is positive. Managerial competencies also had a significant relationship at Beta=0.279, p-value= 0.012 which was less than alpha=0.05. On the other hand there

is no statistically significant relationship between technological competencies, employee competencies, knowledge acquisition, knowledge application, business differences and cultural differences on overall performance at Beta=-0.053, p-value=0.585; Beta=0.049, p-value=0.637; Beta= -0.038, p-value= 0.657; Beta=0.121, p-value=0.252; Beta=0.135, p-value=0.139 and Beta=0.136, p-value=0.183. The regression model that estimate multinational performance, non-financial performance joint effect is stated as:

$$\text{Overall performance} = 2.059C + 0.332MC + 0.515KD$$

$$(0.007) \quad (0.012) \quad (0.000)$$

This was interpreted to mean that a unit change in managerial competencies causes a 0.332 change in overall performance while a unit change in knowledge dissemination causes a 0.515 change in overall performance. The current study findings echo the assertion from previous studies that the joint effect of the variables on performance is greater than the individual effects of each of the variables on performance of multinational corporations.

4.15: Firm Competencies, Knowledge Management, Psychic Distance on Firm Performance Aggregated Index Approach.

Table 4.42 reveals that the joint effect of psychic distance, firm knowledge management, firm competencies using aggregated index explain 60.9 percent of the variation in overall performance ($R^2=0.609$). The remaining 39.1 is explained by other variables not considered in the model.

Table 4.42: Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Performance Aggregated Index Approach

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.781 ^a	.609	.591	.23502		
a. Predictors: (Constant), Psychic Distance, Firm Knowledge Management, Firm Competencies						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.516	3	1.839	33.290	.000 ^b
	Residual	3.535	64	.055		
	Total	9.051	67			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Psychic Distance, Firm Knowledge Management, Firm Competencies						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.806	.334		2.411	.019
	Firm Competencies	.294	.098	.328	3.003	.004
	Firm Knowledge Management	.321	.077	.427	4.173	.000
	Psychic Distance	.149	.106	.146	1.405	.165
a. Dependent Variable: Performance						

Source: Primary Data, 2015

The regression results on table 4.42 reveal that firm knowledge management had the largest contribution to overall performance at (Beta=0.427, t value=4.173 and p-value=0.000). On the other hand, psychic distance had the lowest contribution to overall performance at (Beta= -0.146, t value= 1.405, p-value= 0.165). The regression model that estimates MNC financial performance joint effect is stated as:

$$\text{MNC Performance} = 0.806C + 0.294FC + 0.321KM$$

$$(0.019) \quad (0.004) \quad (0.000)$$

The regression equation was interpreted to mean that a unit change in firm competencies causes an increase of 0.294 in MNC performance. This indicates that firms that utilize firm competencies achieve an increase of 0.284 in performance. A unit change in knowledge management causes an increase of 0.321 in MNC performance. This indicates that firms that utilize knowledge management achieve an increase of 0.321 in MNC performance.

Results reveal that psychic distance as an aggregate is not important as demonstrated by (Beta =0.146, p-value= 0.165). However when psychic distance is broken down into variables (business differences and cultural differences), each component is important in its unique way. Firm competencies and firm knowledge management when aggregated are important and significantly influence performance of multinational corporations in Kenya at (Beta= 0.328, p-value= 0.004) and (Beta= 0.427, p-value=0.000) respectively. The findings pointed out that when firm competencies, knowledge management and psychic distance are integrated, the gross effect is higher compared to the individual effects of the variables on performance.

4.16 Chapter Summary

The chapter analyzed and interpreted the findings of the study variables. Respondents and firm level profiles were discussed and analyzed. The study further tested the study hypotheses and interpreted them in harmony with the findings. The chapter shows the interpretation of direct relationships and relationships with the moderating and mediating variables using regression analysis. Finally the study looked at the joint effect of the study variables on the dependent variable.

Objective one of the study sought to establish the relationship between firm competencies and performance of multinational corporations in Kenya. The study established a significant relationship between firm competencies and firm service delivery performance, firm learning and growth, internal business processes performance, non-financial performance and overall performance. The study reported mixed findings on the relationship between technological competencies and different measures of performance. The findings revealed that there was no significant relationship between service delivery performance, firm learning and growth performance, internal business processes performance, non-financial performance, financial performance and overall performance. The results were somewhat incongruous to expectations.

The study findings reported mixed findings on the relationship between managerial competencies and different measures of performance. Results indicated a positive and significant relationship on service delivery performance, non-financial performance and overall performance. On the contrary, no significant relationship was established between managerial competencies and firm learning and growth performance, internal business processes performance and financial performance. This findings are in line with prior studies that established that the potential for firm resources and capabilities to yield abnormal returns depends on the effectiveness of management.

The study reported mixed findings on the relationship between employee competencies and different financial measures of performance indicating a positive and significant relationship between firm competencies and firm learning and growth performance, internal business process performance, non-financial performance and overall performance. Conversely, no significant relationship was established between service delivery performance and financial performance.

Objective two of the study sought to determine the relationship between firm competencies and knowledge management. Results indicated a moderate and statistically significant relationship between firm competencies and knowledge management and between technological competencies and knowledge dissemination.

Objective three which sought to explore the moderating effect of psychic distance on the relationship between knowledge management and firm performance revealed mixed findings. Results indicated that the variation explained by psychic distance in the relationship between knowledge management and service delivery performance, knowledge management and firm internal business processes performance, knowledge management and firm performance is statistically significant hence psychic distance has a moderating influence on the relationship between knowledge management and service delivery performance, firm internal business processes performance as well as firm performance. Further, the overall significance of the model with the moderated effect was significant concluding that psychic distance had a moderating effect on the relationship between knowledge management and firm learning and growth performance.

Objective four sought to determine the mediation of knowledge management on the relationship between firm competencies and firm performance. Findings indicate that there was a statistically significant overall mediating effect of knowledge management on firm competencies and service delivery performance, firm learning and growth performance, and internal business processes performance. Thus demonstrating that an overall significance of the model exists and it was concluded that knowledge management had a significant intervening effect on the relationship between firm competencies and service delivery performance, firm learning and growth performance, and internal business processes performance.

Further, the results indicated that knowledge management had a significant intervening effect on the relationship between firm competencies and non-financial performance as well as on the relationship between firm competencies and performance. Thus the findings supported the notion that any firm with the ability to manage knowledge on an ongoing basis has the advantage of having a unique competence.

Objective five sought to determine the joint effect of firm competencies, knowledge management and psychic distance on performance. The study findings revealed that the joint effect of the variables on performance have a positive and statistically significant influence on the six performance indicators namely service delivery performance, firm learning and growth performance, internal business processes performance, non-financial performance, financial performance and overall performance. The study established a statistically significant influence on all the performance indicators thus failing to reject the hypothesis that the joint effect of the variables on Multinational Corporation's performance is greater than the individual effects of each of the variables on performance, and it was concluded that the joint effect enhances realization of superior performance.

The research findings attested to the existence of a relationship between the study variables and further that the joint effect of the variables was greater than the individual effects of the variables on performance. Results also revealed that psychic distance as an aggregate is not important as demonstrated by the lack of a significant effect. However when psychic distance was broken down into operationalized components namely business differences and cultural differences, each component was found to be imperative in its unique way.

CHAPTER FIVE

DISCUSSION OF RESULTS

5.1 Introduction

The study was broadly based on the proposition that firm competencies have an influence on firm performance and that this influence is moderated by psychic distance and mediated by knowledge management. This chapter discusses the results of the study in line with existing literature to establish whether results are consistent with contemporary literature. The chapter mainly highlights the study findings, discusses how they compare with theoretical contributions of the study and the knowledge gaps filled.

5.2 Firm Competencies and Performance

The findings of this study on the relationship between firm competencies and performance of MNCs in Kenya established that firm competencies had an overall significant relationship with performance of multinational corporations in Kenya. Studies on firm performance have a long history in terms of determining factors which lead to improved performance. This basic concern has surfaced in the resource based view which has directed attention to important resource configurations that impact on performance of firms (Wernerfelt, 1984; Barney, 1991). According to the resource based view, differences in performance are as a result of an asymmetry of resource configurations within the firm (Mosakowski, 1993). In addition to the resource based view, porter (1990) in the diamond theory of national competitive advantage embraces the fact that resources are critical determinants of firm performance. In quintessence, resources need to feature prominently in management of firms.

The study findings revealed a significant relationship between firm competencies and firm service delivery performance, firm learning and growth, internal business processes performance, non-financial performance and overall performance. On the contrary, no statistically significant effect was established between firm competencies and financial performance. The study established that firm competencies had a greater effect on overall performance than on financial performance. The findings follow the conclusion that multinational corporations must not only measure performance on the basis of financial measures but should have a combination of financial and non-financial indicators in measuring performance (Kaplan and Norton, 1996). This captures the methodological weaknesses as earlier pointed out in this discussions that balanced score card performance measures are noticeably excluded in most studies.

There is general agreement among resource based view scholars that resources are pertinent to the achievement of superior performance by stating that resources used facilitate and enhance organization performance. McEvily and Chakravarthy (2002) posits that firms which configure resources according to the dictates of the environment are better achievers of performance. This study findings follow conclusions from other studies (Spender, 1996; Ansoff, 2005) which established a positive link between competencies and performance. Consistent with previous research, this study established that firm competencies contributed greatly to enhanced performance and that firms that utilized firm competencies not only attained superior competitive advantage but also enhanced organization performance both financial and non-financial of MNC's in Kenya (Spender, 1996).

In comparison with results by Raja (2010), this study suggests that firms are a collection of unique competencies that influence evolution of strategic growth in the firm and bring out the difference in performance among firms. In addition, (Doole and Demack, 2006; Mosoti and Masheka, 2010) agree with Spender in arguing that organizations which use competence based systems are visionary or high performers. Therefore, the findings of this study were consistent with those of previous authors in establishing a positive relationship between firm competencies and firm performance.

This study contributed to the existing stream of theoretical knowledge on firm competencies and performance by analyzing the relationship through testing at the same time the factors which moderate and intervene the relationship to ultimately increase firm performance. The results support Resource Based theory (Barney, 1996) which examines resources, capabilities and competencies of firms for greater performance. Further, that successful firms will find their competitiveness on development of distinctive and unique competencies that influence evolution of strategic growth in the firm and bring out the difference in performance among firms (Spender, 1996).

From these findings, the study can conclusively attribute the positive relationship in performance to the significant contribution of firm competencies, knowledge management and psychic distance. The findings can thus be used to drive results and focus on competencies that build individual capabilities and improve performance of the organization. Sabah Agha (2011) whose study was done in the United Arab Emirates established that competencies have a strong impact on firm performance bringing to conclusion that the findings of this study are in line with past studies.

5.2.1 Technological Competencies and Firm Performance

The study reported mixed findings on the relationship between technological competencies and different measures of performance. The findings revealed that there was no significant relationship between technological competencies and service delivery, firm learning and growth, internal business processes, non-financial performance, financial performance and overall performance. Technological competencies play a critical role in linking competencies to performance results. Prior studies by (Petraf 1993; Wenefelt 1984), indicated that resources and competencies such as technological competencies have the potential to generate firm specific abnormal profits. Barney (1991) added his voice by asserting that technological competencies greatly contribute to improved firm performance. Casselman and Samson (2007) established that a firms output was a function of firm specific technologies and production related skills.

There is general agreement amongst scholars that competencies are relatable to the achievement of performance (Ritter, 2006; Raja, 2005). This points out that management should therefore use technological competencies to facilitate the coordination and integration of activities to allow efficient work practices in order to enhance organization performance. The findings are in support of resource based view theorists conclusions that competencies influence the evolution and growth of the firm (Spender, 2006; Barney, 1991; Wernerfelt, 1984). The study findings contribute to the weath of knowledge on organization performance by bringing in the contention that when technological competencies are enhanced within the organization the gross effect on performance is high.

5.2.2 Managerial Competencies and Firm Performance

Managing resources and skills is pertinent to the achievement of superior performance, at the same time utilizing competencies is fundamental for firm's survival in a competitive and dynamic environment (Prahalad, 1996). Literature has reported mixed findings on the independent influence of management practices and performance. Curries and Procter (2005) established a positive influence on performance by management. Elbama (2008) on the contrary established that firm performance is not influenced by management participation. From the same point of view, this study reported mixed findings on the relationship between managerial competencies and performance.

Findings on the relationship between managerial competencies and different measures of performance indicated a positive and significant relationship of managerial competencies on service delivery performance, non-financial performance and overall performance. This findings are supported by Helfat (1991) who posited that the potential of a firms resources to yield abnormal profits depends on the effectiveness of management. On the contrary, no significant relationship was established between managerial competencies and firm learning and growth performance, internal business processes performance and financial performance.

The results evidently indicated a strong relationship between managerial competencies and firm performance. This findings are in line with prior studies by Barney, (1991) and Petraf, (1993) who established that the potential for firm resources and capabilities to yield abnormal returns depends on the effectiveness of management. It also established that there is a significant role of managerial competencies and performance. From the study, it emerged that improved firm

performance depends on how strategically the firm is managed to meet overall business objectives. Resource based view perspective (Barney, 1991) establishes that the ability of the firm to yield maximum returns depends upon effectiveness of management. Therefore managers must possess the requisite competencies to steer the organization into sustained competitive advantage.

Theoretically, this has made a major contribution by linking managerial competencies to firm performance thus increasing the coherent body of knowledge on the link between competencies and organization performance. The results support the resource based view which examines resources of firms as being paramount to achieving results (Wernerfelt, 1994). This study has given useful insights into the use of the resource based view on earlier works which intensified the firm's performance as fundamental prompting firms to align their managerial competencies for performance implications. The study further contributes to the resource based view by adding that although resources contribute to performance, management's ability to handle resource configurations within the organization has a big role to play in the growth direction the firm will take.

The findings will guide managers in their search for avenues that will improve organization performance. At the same time, the results bring out the fact that the managerial competence and ability to synchronize different processes within the organization is a critical resource to the realization of better results. These results were consistent with Casselman and Samson, (2007) study which found that firms which gave considerable attention to managerial competencies were better able to compete within the business environment. Further, the findings agree with Kaplan, (2013) view that manager's ability to build, integrate and manage organizations resources ease increased performance.

5.2.3 Employee Competencies and Firm Performance

The study reported mixed findings on the relationship between employee competencies and different financial measures of performance. Specifically results indicated a positive and significant relationship between firm competencies and firm learning and growth, internal business process, non-financial performance and overall performance. The study findings were in line with Wenerfelt (1984) and Petraf (1993), who indicated that resources such as employee skills level, have the ability to generate firm specific abnormal profits conversely, no significant relationship was established between service delivery performance and financial performance.

From the findings, it is evident that exploiting employee competencies improves organizational performance. In line with this finding, a study by Ritter (2006) established that individual competencies defined in terms of individual's knowledge skills and attributes define high performers from average ones. Similarly, resource based view perspective connotes that employee competencies have the potential to generate firm specific abnormal profits (Helfat, 1991). From the international business perspective, this study has made significant contribution to managers of multinational corporations in terms of ascertaining that employee competencies are critical determinants towards creating successful business environments.

A theoretical contribution of this study is the establishment that employee resources are valuable endowments which determine how well a firm achieves performance. This is consistent with Casselman and Samson (2007) study which found that a firm's output was a function of employee knowledge, skills and attitudes. For MNCs employee resources are inherent contributors towards the great resources that a firm achieves. Further, the findings of this study will assist managers in recognizing relevant competencies and identifying employees that will drive the organization towards growth and prosperity.

5.3 Firm Competencies and Knowledge Management

The findings of this study revealed that technological competencies and managerial competencies were statistically significant at 95% confidence levels. The relationship between technological competencies and knowledge dissemination was moderate, positive and statistically significant at 95% confidence level. Knowledge application and knowledge dissemination had a statistically significant relationship. There was however a low correlation between technological competencies and employee competencies at 95% confidence level. The results echo findings by Raja (2010), who resonated that the organization must bring together the two interdisciplinary concepts of knowledge management and firm competencies for it to perform better.

Most previous conceptual and qualitative research has focused on knowledge management and its influence on organization performance (Nonaka, 1995). The influence of knowledge on the relationship between firm competencies and performance has not been thoroughly underpinned with theory or empirically analyzed. RBV literature justifies the existence of the differences in performance as a consequence of knowledge asymmetries, capabilities and competencies. Further RBV holds that firms should focus explicitly on knowledge as the ultimate resource (Kalling, 2003). Empirical studies by Gupta (2009) showed interdependence between knowledge management and competencies. Further, the findings of this study were in line with the Knowledge Based View contention that the two predominant goals of a firm are the generation and application of knowledge (Spender, 1996). Therefore a relationship does exist between firm competencies and knowledge management.

There was a low correlation between employee competencies and technological competencies indicating that there was no significant relationship between the two variables. Further, there was a statistically significant positive relationship between knowledge dissemination and knowledge acquisition and knowledge application and knowledge dissemination revealing that in a competitive environment, MNC's must utilize knowledge application, knowledge acquisition and knowledge dissemination in order to achieve utmost performance. This findings agree with Boyle (2010) who pointed out that any organization which had the ability to manage knowledge on an ongoing basis had developed a unique competence. Therefore, knowledge management is a key determinant in MNC's superior performance. The hypothesis that there is a significant relationship between firm competencies and knowledge management is supported by Raja (2005) who asserted that an organization must bring together the two interdisciplinary concepts of knowledge management and firm competencies for it to perform better.

5.4 Moderation of Psychic Distance on the relationship between Knowledge Management, and Firm Performance

The results of this study show mixed findings on the moderating effect of psychic distance on the relationship between firm competencies and firm performance. Results indicated that the variation explained by psychic distance in the relationship between knowledge management and internal business processes, knowledge management and non-financial performance, knowledge management and firm performance, is statistically significant hence psychic distance has a moderating influence on the relationship between knowledge management and internal business processes and non-financial performance. In the theoretical perspective, psychic distance was a resource bundle that firms must understand to gain business growth, as initiated by Johnson and Vahlne (1977) and developed by Wiedersheim and Vahlne (2009).

Further, the results indicate a statistically significant overall performance relationship, concluding that psychic distance had a moderating effect on the relationship between knowledge management and overall performance. An important observation made was that the coefficient of determination increased when the moderator was added to the model depicting the relationship. However, results also showed no significant relationship between psychic distance and service delivery as well as the relationship between psychic distance and firm learning and growth indicating that psychic distance did not have a moderating effect on the relationship between knowledge management and service delivery as well as the relationship between knowledge management and firm learning and growth. The findings are in line with Evans and Mavondo (2002) observations that national and business culture is one of the most important factors influencing cross border transfer. Similarly, studies espoused by Ogotu and Oloko (2012) observed that understanding the impact of psychic distance is critical for superior performance of multinational corporations.

When psychic distance moderates the relationship between knowledge management and performance, the performance outcome is higher compared to the direct relationship (Evans & Mavondo, 2002). The empirical work contributes positively to the theory of psychic distance that the distance between businesses fundamentally affects the organizations performance ability (Dikova, 2009). Theoretically, the study has brought out the contention that psychic distance is an important variable that can be used to strengthen firm's performance. This means that businesses should fully understand the role of psychic distance in business operations that will enable the firm to interact with partners in the international arena to catapult performance.

5.5 Mediation of Knowledge Management on the relationship between Firm Competencies and Firm Performance

In line with the resource based view (Barney, 1991) that competencies alone cannot account for the differences in performance among organizations, this study examined the mediating role of knowledge management on the firm competencies performance relationship. Kogut and Zander, (2002) assessed the role of knowledge management within the firm explaining that firms exist to create, transfer and transform knowledge into competitive advantage and superior performance. Previous studies have linked firm competencies to knowledge management (Gorelick & Monsou, 2005; Raja, 2005). The results have pointed towards a positive relationship between the variables. Further, the KBV (Spender, 1996; Grant, 2002) explains that the two predominant goals of a firm are the application and generation of knowledge which is in line with this study finding which established that knowledge dissemination governs the ability of the organization to develop knowledge based assets that create competitive advantage.

The results of this study show mixed findings on the mediating effect of knowledge management on the relationship between firm competencies and firm performance. Results indicated that the variation explained by knowledge management on the relationship between firm competencies and service delivery, knowledge management and learning and growth, internal business processes as well as non-financial performance is statistically significant hence knowledge management has a mediating influence on the relationship between firm competencies and service delivery, firm learning and growth, internal business processes as well non-financial performance. This finding were consistent with Raja (2010) study which established that knowledge management and firm competencies are important criteria for improving performance of Government systems in Malaysia.

Further, Prahalad & Hamel, (1990) contend that firm competencies are wellsprings of firms which drive business execution while knowledge management is a fundamental factor that shapes and determines success of the organization. However, results also showed no significant relationship between knowledge management and financial performance in the relationship with the mediator indicating that knowledge management did not have a mediating effect on the relationship between competencies and financial performance.

The overall significance of the model with the mediating effect was also significant concluding that knowledge management had a mediating effect on the relationship between firm competencies and firm performance. As observed by Jie Yang (2010), the findings established that firm competencies are intensely influenced by knowledge management. Further Raja (2010) findings that link knowledge management to competencies and performance agree with this study findings which established that firm competencies are intensely influenced by knowledge management as evidenced by the significant intervening role on the relationship between firm competencies and performance. This assertion was also established by Gupta (2009) who examined the interdependence of firm competencies and knowledge management. The study concluded that the achievement of firm performance depends on the level of firm competencies and the knowledge generated, applied and disseminated within the organization.

Previous studies linking firm competencies to performance have advocated for the inclusion of additional factors in the relationship (Kogut and Zander, 2002). The current study filled the gap by probing knowledge management as an intervening variable in the relationship between firm competencies and firm performance. From

the findings, the study can conclusively attribute the positive relationship between firm competencies and performance to knowledge management. This study makes a major theoretical contribution by showing that firm competencies and knowledge management are critical components in explaining performance outcomes of firms. The findings would allow managers to look for ways of utilizing firm competencies and knowledge management to cope with the dynamic environment and achieve superior performance in a competitive environment.

5.6 Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Firm Performance

This study sought to address the joint effect of the study variables namely firm competencies, knowledge management and psychic distance on performance in an attempt to address the gap created by previous studies. Empirical studies have pointed out that firm competencies, knowledge management and psychic distance individually are essential in firm performance (Shojie and Cavusgil, 2005; Sabah, 2011; Evans and Mavondo, 2002). The results indicated a positive and statistically significant joint effect of the variables on service delivery, firm learning and growth, internal business process, non-financial and firm performance.

The joint effect has largely not been explored by preceding researchers since previous studies have examined the individual effects of the variables on firm performance (Raja, 2010; Mosoti, 2010, Kagiri, 2008). This study successfully studied the variables together. The integrated approach of competencies, knowledge management psychic distance and performance was consistent with the RBV theory notion that sustainable competitive advantage cannot be explained by isolated factors (Barney, 1991). When firm competencies, knowledge management and psychic distance are integrated, the

gross effect is higher performance. Based on the results, the study concluded that firm competencies, knowledge management and psychic distance have a statistically significant joint effect on firm performance. Finally results tested the joint effect of the variables on overall performance revealing that the joint effect of the study variables are statistically significant thus implying that the study variables jointly predict overall performance.

This findings echo the assertion that the joint effect of the variables on performance is greater than the individual effect of the variables on performance. Further, (Casselman and Samson, 2007; Levison, 2005) agree by stating that the interconnectedness and co-existence of firm competencies and knowledge management leads to higher performance. On the same note, RBV theory conception observes that the deployment of unique competencies provides sustainable competitive advantage resulting in abnormal profits (Petraf, 1993). The findings imply that performance of multinational corporations in Kenya can be attributed to the integrated effect of firm competencies, knowledge management and psychic distance.

The study demonstrated a statistically significant influence on all the performance indicators thus failing to reject the hypothesis that the joint effect of the variables on Multinational Corporation's performance is greater than the individual effects of each of the variables on performance. This empirical work contributes positively to the resource based theory (Barney, 1991) by confirming that competencies alone cannot explain differences in performance among firms and further that the interconnectedness and co-existence of various resources realizes superior performance. The study demonstrates that the integrated framework at different levels generates competitive advantage thereby fostering performance among multinational

corporations in Kenya. The implications of this findings is that managers of multinational corporations can improve the performance of their firms by creating competencies that will give the firm an edge against the intensity of global competitiveness. In line with these findings, Raja (2010) study established that exploiting organization competencies improves business performance. This study reinforces the proposition that competencies are key determinants of performance (Adelaide and Carl, 2001) while firms need to use knowledge to govern the ability of the firm to develop knowledge based assets and that understanding both business and cultural differences of business partners fosters performance.

5.7 Joint effect of Firm Competencies, Knowledge Management, Psychic Distance on Firm Performance using Aggregated Index Approach

Empirical studies in the past provides that firm competencies and knowledge management are prerequisites in firm performance (Wang *et.al.* 2004; Nonaka, 2004). This study sought to address the knowledge gap which focused on the independent effects of the study variables in explaining performance. The results revealed that the aggregated joint effect of the study variables on performance is statistically significant implying that the study variables aggregated predict overall performance. The research findings attested to the existence of a relationship between the studies variables and further that the joint effect of the variables was greater than the individual effects of the variables on performance. There was a statistically significant relationship of the model indicating that psychic distance and knowledge management had statistically moderating and intervening effects on the aggregated effect of the variables on performance.

The study findings also revealed that psychic distance as an aggregate is not important as demonstrated by the lack of a significant effect. However, when psychic distance was broken down into operationalized components namely business differences and cultural differences, each component was found to be imperative in its unique way. This study contributes to knowledge by bringing on board a diverse view that psychic distance as an aggregate is not important in the competence performance relationship. This findings were contrary to studies by (Evans and Mavondo, 2002; Dowlings *et. al.* 2011) who observed that psychically close countries will succeed in their international operations. This empirical finding extends the knowledge frontiers within the psychic distance theory by fundamentally bringing out the need to conceptualize psychic distance in different antecedents to embrace various perceptions of the theory.

The findings that the aggregated joint influence of the variables on performance is an empirical contribution of the study to the existing body of literature. An important theoretical contribution of this research is the empirical support it provide to the resource based theory (Barney, 1991), knowledge based theory (Grant, 2002), psychic distance theory and diamond theory of national competitive advantage (Vahlne and Weidersheim, 2009). In this study, firm competencies, knowledge management and psychic distance could be regarded as resources which coexist to boost organization performance.

The study also established that knowledge management had a positive and significant influence on the relationship between firm competencies and performance. Therefore, multinational corporations can make use of knowledge resources and firm competencies to improve their firm's performance. This is in line with the resource based view theory (Teese *et. al.* 1991) perspective that attributes a firm's performance to a unique collection of resources and capabilities which influence the strategic growth of the firm hence explaining the difference in performance among firms. The findings also agree with the

KBV (Pemberton and Stoenehouse, 2000) that addresses resources and capabilities and transfer of critical knowhow in the organization as being paramount to creating sustained competitive performance and the diamond theory of national competitive advantage (Porter, 1990) which asserts that advanced factors are crucial determinants in the competitiveness of firms. The findings may be beneficial to organizations in creating awareness and developing of strategies that impact on multinationals international presence.

5.8 Chapter Summary

This chapter discussed the results of the key study variables in line with the objectives and consequent hypotheses. It linked the current study findings to previous studies findings to bring out similarities and differences. The study lays the foundation for ongoing research into theory and practice of the competence performance relationship. The study results evidently indicate a strong relationship between firm competencies, knowledge management and psychic distance on overall performance.

It emerged that the combined effects of the variables were significant therefore supporting the hypothesis that were posed based on the conceptual model. It also emerged that the integrated effect of firm competencies, knowledge management and psychic distance on Multinational Corporation's performance was different from the individual effects of each of the variables on performance. This supported the view that improved firm performance depends on how strategically the firm can manage its resources which were represented by firm competencies, knowledge management and psychic distance to achieve firm success. Theoretically, the study has distinguished firm competencies, knowledge management and psychic distance as important resources that can be used to steer firm performance.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The chapter summarizes the study findings, conclusions and recommendations. The study further highlights limitations encountered and outlines the implication of the study on theory, policy and practice. It concludes by proposing areas of future research.

6.2 Summary

The focus of the study was to investigate the relationship between firm competencies and performance of multinational corporations in Kenya. The specific objectives of the study were to examine the independent effect of firm competencies and knowledge management on performance, the moderating effect of psychic distance on the relationship between firm competencies and performance as well as to examine the intervening effect of knowledge management on the relationship between firm competencies and performance. Finally the study undertook to examine the joint effect of firm competencies, knowledge management and psychic distance on performance of multinational firms in Kenya.

In line with the literature reviewed, a model which formed the structure that guided the study was developed. The model linked firm competencies, knowledge management and psychic distance to performance. The link was established both directly and indirectly through moderation and mediation effects. Based on the relationships hypotheses were formulated and tested using regression analysis.

Objective one of the study which was to establish the relationship between firm competencies and performance of multinational corporations in Kenya established a significant relationship between firm competencies and on some of the indicators of firm performance while indicating a negative relationship with other indicators of performance. The results were somewhat incongruous to expectations. However, the findings on firm competencies and overall performance indicated a positive relationship thereby concluding that there was a positive significant relationship between the variables.

Objective two sought to find out whether there was a relationship between firm competencies and knowledge management. The study established that there was a relationship between firm competencies and knowledge management and that this relationship was statistically significant. This results were in line with previous studies (Raja, 2008; Nonaka, 1994; Nonaka& Konno, 1998) who established a positive relationship between firm competencies and knowledge management.

Results on moderating effect of psychic distance on the relationship between knowledge management and firm performance indicated that the variation explained by psychic distance in the relationship between some components of the variables and firm performance was not significant hence psychic distance did not have a moderating influence on the relationship. However, the overall significance of the model with the moderated effect was significant concluding that psychic distance had a moderating effect on the relationship between and firm performance.

Objective four sought to determine the mediating role of knowledge management on the relationship between firm competencies and firm performance. Findings indicate that there was a statistically significant overall mediating influence of knowledge management on firm competencies and performance.

Objective five sought to determine the joint effect of firm competencies, knowledge management and psychic distance on performance. The study findings revealed mixed findings in the relationship. When psychic distance was broken down into its operationalized components, the relationship was found to be significant. However, psychic distance as an aggregate was found to be not important in the relationship as demonstrated by the lack of a significant effect.

6.3 Conclusion

This study examined the scope and nature of the relationship between firm competencies and performance. The study confirmed the relationships based on the hypothesis directly and with the moderating or intervening variables and finally jointly. The empirical results led to drawing of conclusions in terms of theory, policy and practice and confirming that competencies alone cannot account for the differences in performance among multinational corporations. The relationship amongst and between the variables was tested using the performance variables defined in the study.

Firm competencies was found to have a significant relationship with performance. Based on this findings, the study concluded that firm competencies is an important resource and that firms which possess competencies achieve superior performance. This confirms the proposition of the resource based theory that possession and deployment of a unique competence provides sustained competitive advantage and results in abnormal profits. The results of the second objective led to the conclusion that firms which tap on

competencies while embracing knowledge management gain and stay ahead of the market in which they operate. The third objective established that the moderating role of psychic distance on the relationship between knowledge management and firm performance was statically significant. However, when psychic distance was taken as an aggregate, psychic distance was not important in moderating the relationship. The fourth objective established that knowledge management has a mediating role on the relationship between firm competencies and performance.

This findings confirm the resource based view theory notion that competencies alone cannot account for the differences in performance as there are certain other underlying non-observable factors that have an impact on performance. The study is also in line with the KBV perspective which indicates that a firm's future growth is dependent upon the productive integration of knowledge resources and competencies (Spender, 1996).

The findings led to the conclusion that for multinational corporations to achieve competitive advantage, they must focus on key competencies and effectively utilize knowledge management. This is in line with Porter (1990) and Faulkner and De-Rond (2000) agree that knowledge is a resource that a firm needs to attain competitive advantage. However, the overall low impact of psychic distance as a moderating variable on the relationship leads to the conclusion that though psychic distance in its own unique way has an impact on certain performance indicators, it ultimately does not moderate the firm competencies performance relationship. This is contrary to the prevailing views of the psychic distance theory which affords the view that multinational corporations cannot be successful without taking into account psychic distance. The positive impact of firm competencies and knowledge management on performance indicate that multinationals embracing the concepts are better placed to be key performers in the sector.

The overall results verified that the effects of knowledge management on firm competencies and performance were positive and significant. Knowledge management as a mediator in the relationship supporting the overriding views of the RBV and KBV. Thus indicating that for firms to perform better, they need craft their knowledge resources and use their competencies. Thus it can be concluded that effective management of competencies and knowledge is paramount for the organization to remain a key market player in terms of superior performance. Thus MNCs should have proper strategies in place to manage competencies and knowledge.

The joint effect of the variables on performance indicated a significantly great impact of Multinational Corporation's performance. However, for ultimate success, the results revealed that the variables must be applied together. Thus the study concluded that multinationals need to understand the competence concept, the knowledge management concept and embrace strategies to utilize the two concepts within their operating environment to achieve their full performance potential.

Several studies have focused on various sectors of the economy as the context of their studies. The context of this study was multinational corporations in Kenya which was unique to most studies. Multinational corporations operate in an international arena making the study variables relevant across the globe. The findings are relevant to Kenya as multinationals can use them as a base to improve their performance hence improve the economic standing of the country.

6.4 Implications of the Study

The study brought forth important findings that link firm competencies, knowledge management, psychic distance and firm performance. The findings have implications for strategic management theory, policy, practice and methodology. Based on the study findings, the following are the recommendations for stakeholders in the multinational corporation sector. First, the research could use more variables or other factors that could provide additional insight into the influence of firm competencies on performance of multinational corporations.

The study revealed favorable results on the link between the variables under study and performance pointing out that they are critical for firms operating in the multinational corporation industry. This study therefore recommended that owing to the significant influence of the study variables, it could be important to replicate the study in other economic sectors to investigate the impact on performance in order to sufficiently explore the firm competencies-performance relationship.

Thirdly psychic distance was found to moderate the relationship between knowledge management and performance yet its aggregated effect was not significant. It would be necessary to investigate the reasons for this through research on the psychic distance firm performance relationship and how they relate to knowledge management. Further research can be conducted to gauge the level of awareness of top management on the mediation and moderation effects of the variables on performance and the exact financial impact to the organization in terms of gain or loss of revenue.

The research could also be replicated in different sectors of the economy in order to help formulate more strategies to enhance firm performance. Multinationals should also strive to participate in policy development especially on liberalization and global competition in order to improve their performance.

This study analyzed the dynamics of the variables at a specific point in time, the research recommends use of a different research design that could track changes over time making it easy to give comparisons in performance across periods so as to capture consistency in performance. The study found out that there is no forum for multinationals to interact and share information. Thus the study recommended that the government set up an association of MNC's that will provide an avenue through which MNC's can share information and also make it easier for researchers on MNC's to have a reference point.

6.4.1 Theoretical Implications

The study contributed to theory by linking the resource based theory, knowledge based theory, psychic distance theory and diamond theory of national competitive advantage into a single theoretical framework. The study findings supported the notion that firm competencies influence firm performance. Consistent with the Resource Based View literature (Barney, 1991), researchers have pointed out that knowledge management has a significant influence on performance of firms. While firm competencies are important, it is also evident that certain non-observable factors also influence performance, (McEvily and Chakravanthy, 2002).

The results of this study provided a basis for further empirical tests replication and advancement in theory validation by other researchers. This study assessed the moderating effect of psychic distance on the relationship between knowledge management and firm performance and the intervening role of knowledge management on the relationship between firm competencies and firm performance with a view to enrich the knowledge frontiers in relation to the competence performance relationship.

While different authors have analyzed the variables relationship with performance independently and in different contexts, the current study integrated the variables in a bid to explain whether the integrated effect of the variables on performance was different from the individual effect of MNC on performance.

Previous studies have indicated that firm competencies are likely to predict firm performance. RBV literature justifies that firms are a collection on unique competencies and capabilities that influence strategic growth of the firm and explain differences in performance among them. The findings of the current study imply that firm competencies has a relationship with firm performance and that this relationship is affected by knowledge management. The findings contribute to renewed research for psychic distance and its impact on the performance of multinational corporations. The results of this study also increase existing firm competencies and performance literature both theoretically and empirically in a Kenyan context.

6.4.2 Policy Implications

The study findings reveal that firm competencies have a direct impact on performance of MNC in Kenya. Multinationals being major partners in the strive for economic growth are of great interest to policy makers. Policy makers may support globalization by coming up with policies of economic planning and growth in support of offering competence skills to ensure service delivery. Thus forming regional policies of mutual interest both to Kenya and other states that will augment growth of the MNC sector and globalization in general.

Policy makers will gain an understanding that firm competencies impact on organization performance. They can formulate growth strategies for multinational corporations that will result into successful businesses. This would help the government address the challenges of unemployment in the country. Policy makers can use results of this study to formulate reforms in the vision 2030 pillars of political, economic and social growth.

The current study contributes to policy by providing evidence of a relationship between competencies, knowledge management and performance. The findings will support policy makers come up with policies in line with use of competencies to promote bilateral agreements thus boost economic prosperity. Policy makers need to focus on policies that will help develop new trade and investment frontiers and improve performance of firms. Thus they need to utilize the findings of this study to advice MNC operating in Kenya on appropriate strategies and configurations to guide economic growth through increased performance. The findings of this study can be utilized to support local regional and global competitiveness of Kenyan multinational firms.

6.4.3 Implications for Practice

Previous studies have pointed out that competencies have been effective in influencing performance. The findings of the current study similarly support this notion by indicating that MNC's that fully embrace the competence concept are able to become market players and achieve competitive edge that ultimately places them as key performers. The study accentuates on the importance of understanding the concept of firm competencies and its impact on firm performance. The study further emphasizes the moderating effects of psychic distance and mediating effect of knowledge management. Literature has underscored the profound impact that competencies have on firm performance.

Firms can thus develop cultures that support and encourage the development of competencies consistent with increased performance and use knowledge as a yard stick towards developing an effective knowledge management system. The findings have implications for managerial practice with regard to acquiring managerial, employee competitiveness to improve organizational performance and manage knowledge for increased performance.

Top management may take primary responsibility for allocating resources to support competencies and provide a vision for future competencies. A determined focus on critical competencies may allow firms to understand competencies and share them with players in the industry for global competitiveness. The study brings out a deeper insight on the challenges faced by multinational corporations thus giving managers a head start into upscaling and extending partnerships in trade to counter challenges.

6.4.4 Implications for Methodology

Previous studies have examined the variables independently in various contexts. The studies however have not been carried out on the multinational corporations. The current study addresses this gap by attempting to address the impact of the study variables jointly in the context of MNCs thereby enhancing the understanding of implications of competencies to key players in the global markets. This will in turn increase performance of multinational corporations to boost the Kenyan trade.

The current study also used a combination of methods to find out the relationship between the variables. In particular, the study used simple regression to find out the relationship between the dependent variable which was firm performance and the independent variable which was competencies, hierarchical regression to examine the moderating effect of the study and multivariate regression to test the joint effect of the variables. Correlation analysis was also used to determine the direct relationships among the study variables. Previous studies have used different methods to examine the analysis between the variables as opposed to a combination of the variables.

6.5 Limitations of the Study

This study has provided insight into the firm competencies and performance relationship literature albeit with limitations. However, the limitations did not compromise the quality of the findings since several mitigation measure were embraced to minimize the implications of the limitations. The selection of study variables was not exhausted, other additional variables could provide more in-depth analysis of the competence performance relationship. The conceptualization of the study variables may also not have been exhaustive the variables could consist of other concepts not considered in the conceptual framework of this study.

Second, the study sought information from a specific population of the organization that was thought to be reliable. The data was collected using a single informant approach which limited the ability to get information. The responses comprised the respondent's perceptions which could be subjective. Though this data was obtained from the best informed persons within the firms that does not form the only source of information. The selection of respondents could have generalized the results of the firm. Variables used in the study were not exhaustive. The researcher recommends an inclusion of other factors that may possibly affect the firm competencies performance relationship to make the study richer.

Thirdly, the results of this study are limited in scope to multinational corporations only. Thus they may not be appropriately applied to other economic sectors, industries or to the nation as a whole which may have differences in scope of operation and in policies. This will give more comprehensive empirical evidence to prove the relationships between the study variables.

Fourth, the researcher encountered resource limitations in terms of time, financial resources and technical support during analysis of data. Owing to the geographic spread of multinational corporations in the country, it was also extremely difficult to conduct research in areas designated away from major towns. Hence the response rate could have been higher if such areas were easily accessible. However, the researcher was able to gather a sixty six percent response rate which was considered adequate. A cross sectional survey design was adopted as the study research design which has the limitation of collecting data at a given point in time. This prevents investigation over a period of time.

Fifth, the study was limited to multinational corporations operating in Kenya. The scope of this study could be expanded to include other sectors operating outside the MNC context. Literature has alluded to the fact that perceptual statements could be turned into quantitative data and used to measure performance. Lastly, multinational corporations found it difficult to provide financial data on their organizations performance as they are not required by law to publish their annual accounts.

Hence the data collected could have been prejudiced. The researcher thus successfully made efforts to minimize this challenges by defining Multinational Corporation's financial performance in terms of cost efficiency and revenue efficiency thus deriving financial performance data based on this indicators.

6.6 Suggestions for Further Research

The findings add to the existing literature both conceptual and empirical that competencies influence performance. The study further indicated that psychic distance and knowledge management moderate and intervene this relationship. The inclusion of other factors likely to influence the relationship could bring more insight into the competencies performance relationship. Future research could also consider operationalizing the study variables differently from the current study.

In a dynamic and liberalized environment where firms exist to create and sustain maximum performance, firm competencies have a great impact on sustaining competitive advantage. Firms must effectively utilize their knowledge, competencies, benchmark with their competitors in order to achieve maximum performance. The current study brings out salient indicators which point out that effective management of MNC ultimately achieves superior performance.

This finding lead to conclusion that the optimal strategy for firms would be to develop strong competencies that explicitly encompass knowledge management. The value of a culture of competencies depends on the existence of sustainable competitive advantage of business firms flowing from the creation, utilization and dissemination of difficult to imitate knowledge assets. According to Barney (1991), when a firm with a competitive advantage understands the link between the resources it controls and its advantage, then that firm has acquired a unique competence.

The study findings revealed that psychic distance as an aggregate is not significant on the relationship between the variables. Future researchers can deeply examine the why psychic distance as an aggregate was not significant in the relationship at the same time study other variables that were not part of this study. Cross sectional research design was used in this study. Future researchers can consider using longitudinal design to overcome the limitations of cross sectional research design.

6.7 Chapter Summary

This chapter gives a summary of the results of the study in line with the objectives. The conclusions were based on study findings as guided by tests of hypotheses. Recommendations for future research were provided based on the research conclusions. Major limitations were pointed out and implications of the study were drawn. The chapter also highlighted the implications of the study and highlighted major limitations with mitigations explained.

REFERENCES

- Argote, L. & Ingram, P. (2000). Knowledge Transfer: A Basis for Competitive Advantage in Firms. *Organization Behavior*, Vol. 82(1): 150-169.
- Armstrong, M. (2006). Performance Management: Key Strategies and Practical Guidelines. (3rd edition).
- Awino, B. Z. (2011). Strategic Management: An Empirical Investigation of Selected Strategy Variables on Firms Performance: A Study of Supply Chain Management in Large Private Manufacturing Firms in Kenya. *Prime Journals Business Administration Management (BAM)*, 1 (2), 26-31.
- Aycan, Z., Kanungo, R., Mendonca, M., Yu, K., Deller, J., Stahl, G., & Kuschid, A. (2000). Impact of culture on Human Resource Management practices: A 10 Country Comparison. An International Review. *Applied Journal of Psychology*, 49(1), 192-221.
- Bacerra-Fernandez; Gonzalez, S., (2004). Knowledge Management. Prentice-hall inc. Pearson Education Company.
- Baldrige (2009). National Quality Award criteria: criteria for performance excellence. Reviewed January 2009.
- Barney, J. B. (1996). The Resource-Based Theory of the firm. *Organization Science*, 7(5), 469.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 33-46.
- Baron, R. M., & Kennedy, D.A. (1986). The moderator- mediation variable distinction in social psychological research: conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173-1182.
- Beamish, P. W., Killing, J., P., Lecraw, D., J., Morrison, A., J., (1994). *International Management*. Burr Ridge, Ill.: Irwin.

- Becker, B. E, & Gerhart, B. (1996). Human Resources and Organization Performance: Progress and Progress and Prospects. *Academy of Management Journal*, 39, 779-801.
- Blackler F. (2002). Knowledge, Knowledge Work and Organizations: An Overview and interpretation. *The Strategic Management of Intellectual Capital and Organizational Knowledge*. New York: Oxford University Press. 46-64.
- Boisot, M. (2002). The Creation and Sharing of Knowledge. *The Strategic Management of Intellectual Capital and Organizational Knowledge*. New York: Oxford University Press 65-77.
- Casselman, R., & Samson, D. (2007). Aligning Knowledge Strategy and Knowledge Capabilities. *Technology Analysis and Strategic Management*, 19(1), 69-81.
- Cavusgil, (2004). Innovation, Organizational Capabilities and the Born Global Firm. *Journal of International Business Studies*, 35(2). Palgrave MacMillan.
- Chandler, A.D. Jr., (1962). Strategy and structure: chapters in the history of the industrial enterprise, *MIT Press, Cambridge, Massachusetts*.
- Chakravanthy, B. S. (1986). Measuring Strategic Performance, *Strategic Management Journal*, Vol. 7, pp 43-458.
- Conner, K. R. & Prahalad, C. K., (1996). A Resource Base Theory of the Firm: Knowledge versus Opportunism. *Organization Science*, Vol. 7: 477-501.
- Chou, S.W., & He, M.Y., (2004). Facilitating Knowledge Creation by Knowledge Assets, IEEE-Proceedings of 37th annual Hawaii international conference.
- Cui, A. S.; Griffith, D. A.; Cavusgil, S. T.; Dabic, M. (2000). The Influence of Market and Cultural Environmental Factors on Technology Transfer between foreign Multinational Corporations and Local Subsidiaries. *Journal of International Marketing*, Vol. 139 pp. 32-53.

- Davenport, T., & Pruzak, L. (2000). *Working Knowledge; How Organizations Manage What They Know*, Boston Harvard Business School Press.
- Deal, T. E., & Kennedy, A. A. (1982). *Corporate cultures: The Rites and Rituals of Corporate Life*. Readings, M. A. Wesley Publishing Company.
- DeLong, D. W. & Fahey, L. (2000). Diagnosing Cultural Barriers to Knowledge Management. *Academy of Management Executives*. Vol. 14 (4): 13-27.
- Dess, G. Gupta, A., Hennart, J., & Hill, C. (1995). Conducting and Integrating Strategy Research at the International, Corporate and Business Levels: Issues and directions. *Journal of Management*, 21.
- Doole, I., Grimes, T., & Demack, S. (2006). An exploration of the management practices and processes mostly associated with high levels of export capability in SME's. *Marketing Intelligence and Planning*, 24(6), 632-647.
- Dowlings, P. J.; Smith, M. & Rose, E. L. (2011). Psychic Distance Revisited: A Proposed Conceptual Framework and Research Agenda. *Journal of Management and Organization*, Vol. 17, pp 123-143.
- Dunning J.H. (1994). Multinational enterprises and globalization of innovation capacity, *Research Policy*, 23(1): 67-88.
- Dunning, J. (1977). Trade, location of economic activity and the Multinational Enterprise: A Search for an Electric Theory in B Ohlin, ed., the International Allocation of economic Activity. London, Holmes and Meir.
- Eisenhardt, K. M & Martin, J. A. (2000). Dynamic Capabilities: What are they? *Strategic Management Journal*, Vol 21, pp. 1105-1121.
- Fahy, J. (2000). The resource based view of the Firm *Journal of European Industrial Training*, 24(2), 94-104.

- Faulkner, D., & De Rond, M. (2000). Perspectives on Competitive Strategy. In D. O. Faulkner and M. De Rond (Eds.), *Cooperative strategy: Economic Business and Organizational issues*. Oxford University Press.
- Faulkner, D., & De Rond, M. (2002). *Cooperative Strategy: Economic Business and Organizational Issues*. *Administrative Science Quarterly*. Vol. 47, No. 1, Oxford University Press, New York.
- Ferraro, G. P. (1998). *The Cultural Dimensions of International Business*, Prentice-Hall, Englewood Cliffs, NJ.
- Fleury, A., & Fleury, M. T. (2003). The evolution of Strategies and Firm competencies in the Telecommunications Industry. *International Journal of Information Technology and Decision Making*, 2(4), 577-596.
- Geus, A. P. (1988). Planning as Learning. *Harvard Business Review*, 88, 2, pp. 70-74.
- Ghoshal, S. & Westney, E. (1993). Organization Theory and the Multinational Corporation. *Administrative Science Quarterly*, Vol. 40, No. 1, pp. 191-194. Sage Publications, inc.
- Gomes, L. & Ramaswamy, K., (1999). An Empirical Examination of the Form of the Relationship between Multinationality and Performance, *Journal of International Business Studies*, 30, pp. 173–188.
- Gorelick, C., & Monsou, B. T., (2005). For performance through learning, knowledge management is the critical practice. *The Learning Organization* .Emerald Insight.
- Grant, R (2002). Contemporary Strategic Analysis: Concepts, Techniques, Applications. *Blackwell Business*, Blackwell Publishers.
- Grant, R. M. (1991). The Resource Based Theory of Competitive Advantage: Implications for Strategy. *California Management Review*, 22, pp. 114-135.

- Grant, R. (1996). Towards a Knowledge- Based Theory of the firm. *Strategic Management Journal*. 17(special issue), 109-112.
- Halkos, G. & Trazemes, N. (2008). National Culture and Multinational Performance, MRPA paper, *University of Munich*, Germany.
- Hamel, G. (1991) Competition for competence and inter-partner learning within International Strategic Alliances. *Strategic Management Journal*, 12, 83–103.
- Hamel, G., & Prahalad, C. K. (1990).The Core Competence of the Corporation. *Harvard Business Review*, 68 (3).
- Hamel, G., & Prahalad, C. K. (1994). *Competing for the Future*. Cambridge M.A.: Harvard Business School Press.
- Hayes, J. L. (1979). A Look at Managerial Competence: The AMA Model of Worthy Performance. *Managerial Review*, November, 2-3.
- Hoeclin, L. (1995). *Managing Cultural Differences: Strategies for Competitive Advantage*. Addison Westley Publishers.
- Hoftende, G. (1991). *Culture and Organizations: Software's of the Mind*. London. McGraw- Hill.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. California: Sage Publications.
- Hollenbeck, G. P., & McCall, M. W., Jr. (1999). Leadership Development: Contemporary Practices. *Evolutionary Practices in Human Resource Management*. San Fransisco: Josey-Bass, (pp. 172-200).
- Irungu. M.S. (2007).*The effect of top management team on performance of publicly quoted companies in Kenya*. (Unpublished doctoral thesis), School of Business, University of Nairobi.

- Johnshon, & Vahlne, (1997). The Internationalization Process of the Firm. A Model of knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, Vol. 8 pp. 22-32.
- Kabagambe, L. B., Ogutu, M. & Munyoki, J. M. (2012). Firm Competencies and Export Performance: A Study of Small and Medium Manufacturing Exporters in Uganda. *European Scientific Journal*, 8(12), 48-67.
- Kalling, T. (2003). Knowledge Management and the Occasional Links with Performance. *Journal of Knowledge Management* 7(3), 67-81.
- Kaplan, R., & Norton, D. (1996). The Balanced Scorecard. Translating strategy into Action. Boston Harvard Business, school Press.
- Kogut, B. & Zander, U. (1992). Knowledge of the Firm, Combinative Capabilities and the Replication of Technology. *Organizational Science*, 3(3), 383-397
- Kogut, B. & Singh, H., U. (1988). The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies: fall*, Vol. 19:3; ABI/INFORM Global.
- Lecraw, D. (1983). Performance of Transnational corporations in Less Developed Countries. *Journal of International Business Studies*, 14(1), 15-33. Palgrave MacMillan Journals.
- Lee, J. S. & Yu, K. (2004). Corporate Culture and Organizational Performance. *Journal of managerial Psychology*. Vol. 19 Issue 4, pp. 340-359.
- Levinson, A. (2005). Do firm competencies drive organizational performance? Can they? Evidence and Implications for Professional and Human Resource Competencies. University of Southern California Los Angeles.
- Levit, B., & March, J. (1988). Organizational Learning. *Annual Review of Sociology*, Vol. 14.

- Luo, Y. & Park, S. (2001). Strategic Malignment and Performance of Market, Seeking Multinational Corporations in China. *Strategic Management Journal*, 22(2), pp. 141-155.
- Martin, B. (2000). Knowledge Management within the context of Management: An Evolving Relationship. *Singapore Management Review*, 22(2), 17-37.
- McEvily, S., & Chakravarthy, B. (2002). The Persistence of knowledge-based Advantage: and Empirical Test for Product Performance and Technological Knowledge. *Strategic Management Journal*, 23.
- Miller, L. (1991). Managerial Competencies, *Industrial and Commercial Training*, 23(6).
- Miroshnik, V. (2002). Culture and International Management: A Review. *Journal of Management Development*. Vol. 21, No. 7. 521-544
- Moresini, P.; Scott, S. & Harbir, S. (1998). National Cultural Distance and Cross-border Acquisition Performance. *Journal of International Business Studies*. Vol. 29, No. 1 (1st Qtr.) pp. 137-158.
- Moresini, P (1998). *Managing Cultural Differences: Effective Strategy and Execution across Cultures in Global Corporate Alliances*. Oxford UK: Pergamon press.
- Mosakowski, E. (1993). A resource based perspective on the dynamic strategy performance relationship: an empirical examination of the focus and differentiation strategies in entrepreneurial firms. *Journal of Management*, 19 (4), 819-838.
- Mosoti, Z., & Masheka, B. (2010). Knowledge Management: The Case for Kenya. *The Journal of Language, Technology & Entrepreneurship in Africa*, 2(1).

- Muganda, N. (2010). *Applied Business and Management Research: Exploiting the Principles and Practices of research within the context of Africa*, Nicorp Publication, Africa.
- Mugenda. O.M., & Mugenda, A.G. (2003). *Research Methods: Quantitative and qualitative approaches*. *African Centre for Technology Studies*, Nairobi, Kenya.
- Munyoki, J.M. (2007). *The effect of technology transfer on the organizational performance: A study of medium and large manufacturing firms in Kenya*(Unpublished doctoral thesis). University of Nairobi, Kenya.
- Nahapiet, J., & Ghoshal, S. (1998). Social Capital, Intellectual capital and Organization Advantage. *Academy of Management Review*, 23(2).242-265.
- Newman, K.L. & Nollen, S. D., (1996). Culture and Congruence: The Fit between Management Practices and National Culture. *Journal of International Business Studies*, Vol. 27, pp 753-779. Palgrave.
- Nonaka, I. (1991). The Knowledge Creating Company. *Harvard Business Review*, Vol. 69, No. 6, pp 96-104.
- Nonaka, I. (1994). A dynamic Theory of Organization Creation. *Organization Science*, Vol.5, No. 1, February, pp 14-19.
- Nonaka, I., & Konno, N. (1998). The Concept of 'Ba': Building a Foundation for Knowledge Creation. *California Management Review*, Vol. 40, No. 3, spring, pp 40-54.
- Nonaka, I., & Tekauchi, H. (1995). *The Knowledge Creating Company. How Japanese Companies Create the Dynamics of Innovation*, New York. Oxford University Press.
- Nonaka, I., & Tekauchi, H. (1996). A theory of Organizational Knowledge Creation, *International Journal of Technology Management*, Vol. 11: 7, 833-84.

- O'Cass, A., & Weerawardena, J. (2010). The effects of perceived industry competitive intensity and market-related capabilities: Drivers of superior brand performance. *Industrial Marketing Management*, 39, 571-581.
- Ogutu, M., & Mbula, C. (2012). Strategies adopted by multinational corporations to cope with competition in Kenya.
- Ohmae, K. (1989). Managing in a borderless world, *Harvard Business Review*, May-June: 152-61.
- Oloko M., & Ogutu, M. (2011). Influence of Power Distance on Employee Empowerment and MNC Performance: A Study of Multinational Corporations in Kenya. *International Research Journal* Vol. 2(2): 47-61.
- Pankal, & Ghemawatt (2001). Distance Still Matters: The Hard Reality of global Expansion. *Harvard Business Review*.
- Pemberton, G. H. & Stonehouse, J. D. (1999). Learning and Knowledge Management in the Intelligent Organization. *Participation and Empowerment* 7(5), 131-144.
- Penrose, E. (1959). *The Theory of Growth of the Firm*. New York: Willey.
- Peteraf, M.A. (1993). The Cornerstones of Competitive Advantage: A Resource-Based View, *Strategic Management Journal*, 14, 179-191
- Popadiuk, S., & Choo, W. (2006). Innovation and Knowledge Creation: how are these concepts related? *International Journal of Information Management*.
- Porter. M.E. (1980). *Competitive Strategy: Techniques for analyzing industries and competitors*. Free Press, New York.
- Porter. M.E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, (1), 79-93.
- Prahalad, C.K. & Hamel, G. (1990). The Core Competence of the Corporation. *Harvard Business Review*, May- June, pp. 79-91.

- Raja, S., & Raja K. (2008a). Moderating effect of Knowledge Management Practices in the relationship between Corporate Strategies and Organizational Performance. Proceeding at the eighth International Conference on Knowledge, Culture and Change Management. Cambridge, United Kingdom. August, 2008.
- Ramaswamy, K., (1995). Multinationality, Configuration, and Performance: A Study of MNEs in the US Drug and Pharmaceutical Industry, *Journal of International Management*, 1, 231–253.
- Rastogi, P. N., (2000). Knowledge Management and Intellectual Capital. The New Virtuous Reality of Competitiveness. *Human Systems Management* Vol 19(1): 39-49.
- Rasula, J., Vusic, V.B. & Stemberger, M. I. (2012). The Impact of Knowledge Management on Organizational Performance. *Economic and Business Review*, Vol. No. 14(2), 147-168.
- Rivhard *et. al.* (2009). Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*.
- Ritter, T. (2006). Communicating Organization competencies: Marketing as different levels of translation. *Industrial Marketing Management*, 35, 1032-1036.
- Sanchez, R.; Heene, A & Thomas, J. (1996). Towards the Theory and Practice of Competence-Based Competition in Sanchez, R; Heene, A and Thomas, J. eds., *Dynamics of Competence Based Competition Theory and Practice in the New Strategic Management*, London: Elsevier.
- Sanchez, R., (2004). Understanding Competence-Based Management: Identifying and Managing Five Modes of Competence. *Journal of Business Research*, 57, pp 518-532.
- Sanderberg, J. (2000). Competence- the Basis for smart Workforce in: Gerber, R. & Lankshear, C. (Eds) *Training for a Smart Workforce*, pp 47-72. (London Routledge).

- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students*. 5th ed. Essex: Pearson Education Limited.
- Shojie, A. C. & Cavusgil, S. T. (2005). The Influence of Competitive Intensity and Market Dynamism on Knowledge Management Capabilities of Multinational Corporations Subsidiaries. *Journal of International Marketing*. Vol. 13 (3), 32-53.
- Smith, B. (1993). Building Managers from Inside Out: Competence Based Action Learning, *Journal of Management Development*, 12(1), pp.43-48.
- Smith, K.G.; Collins C. J. & Clark K. D. (2005). Existing Knowledge, Knowledge Creation Capability and the Rate of New Product Introduction in High Technology Firms. *Academy of Management Journal*, Vol. 48: 346-357.
- Spencer, L. & Spencer, S. (1993). *Competence at Work: A Model for Superior Performance*. New York, Willey.
- Spencer, L., McClelland, D., & Kelner, S, (1997). *Competency Assessment Methods* (Boston, M. A: Hay/ McBer).
- Spender, J. (1996). Making Knowledge the Basis of a Dynamic Theory of the Firm. *Strategic Management Journal*, 17.
- Sullivan, D., (1994b). The “Threshold of Internationalization”: Replication, Extension, and Reinterpretation, *Management International Review*, 34, 165–186.
- Tanrivedi, (2005). Organizational Dynamics: Leading Virtual Knowledge Networks. *Organizational Dynamics*, pp. 403-412.
- Teece, D.J., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and strategic management. *Strategic Management Journal* 18 (7), 509-533.

- Thompson, J. E.' Stuart, R. and Lindsay, P. R. (1996). The Core Competence of Top Team Members: A framework for Successful Performance. *Journal of Managerial Psychology*, 11 (3), pp. 48-66.
- Tsoukas, H., & Mylonopoulos, (2004). Knowledge Construction and creation in Organizations. *Journal of Management*, 15(51).
- Venkatraman.N.,& Ramanujam. M., (2009).The philosophy of science in social research. *Academy of Management Review*, 11 (4), 801-804.
- Wang, Y.; Lo, H.P. & Yang, Y. (2004). The Constituents of Core Competencies and Firm Performance: Evidence from High-Technology Firms in China. *Journal of Engineering and Technology Management*, 21, pp. 249-280.
- Weinert, F.E (2001). Concept of Competence: A Conceptual Clarification.
- Wernerfelt, B. (1984), A Resource Based View of the firm. *Strategic Management Journal*, 5 (2).1171-180.
- Yaprak, A. & Karademir, B., (2011). Emerging Market Multinationals: Role in Developed Country Multinationals Regional Expansion: A Critical Review of Turkish Companies. *Journal of World Business*, Vol. 46; 438-446.
- Zack, M., Mckeen, J., & Singh, S. (2009). Knowledge Management and Organizational Performance: An Exploratory Analysis. *Journal of Knowledge Management*, 13(6), 392-4.

APPENDICES

Appendix I: Letter of Introduction

To whom it may concern

Dear Sir/ Madam,

RE: THE INFLUENCE OF CULTURAL DISTANCE AND KNOWLEDGE MANAGEMENT ON THE RELATIONSHIP BETWEEN FIRM COMPETENCIES AND PERFORMANCE OF MULTINATIONAL CORPORATIONS IN KENYA

I am a doctor of philosophy (PhD) candidate at the University of Nairobi, in the school of Business, Department of Business Administration. As part of the requirements for the award of the degree, I am expected to undertake a research study. I am asking for your participation in a study that examines the influence of Cultural Distance and Knowledge Management on the relationship between firm competencies and performance of Multinational Corporations in Kenya. The purpose of the study is to determine the role of cultural distance and Knowledge Management in the shaping the relationship between firm competencies and performance.

The attached questionnaire will take about fifteen minutes to fill. Kindly answer all the questions as completely as possible. The research results will be used for academic purposes only and will be treated with utmost confidentiality. The records will be kept within the access of the institution only.

Your co-operation will be highly appreciated.

Yours Sincerely,

Lilly Mokamba

Doctoral Candidate

lmoks2002@yahoo.com

0722 60 27 51

Appendix II: Questionnaire

Introduction

Dear respondent,

This questionnaire seeks information on competencies, cultural distance, Knowledge Management and performance of Multinational Corporations in Kenya towards a PhD thesis. The questionnaire has five parts. Kindly respond to each of the items in the questionnaire. The information provided will be used for academic purposes only and will be treated with utmost confidentiality. During the process, you are allowed to seek clarification as far as you may wish in cases of ambiguity.

SECTION 1: GENERAL INFORMATION

Respondents Information Title/ designation of respondent.....

a) Level of education (please tick as appropriate)

Secondary	Bachelors	Masters	PhD

b) Number of years that you have worked in the company (please tick as appropriate)

<10 years	10-15 years	16-20 years	21-25 years	26-30 years	>30 years

Organization Information

- a) Name of your firm
- b) Year of commencement of operations in Kenya
- c) Kindly specify the sector of operation
- d) What is the size of your firm in terms of employee numbers (you may provide an approximate where not sure).....
- e) What is the ownership status.....
- f) What is the scope of operation? (please tick as appropriate)
- i. Regional (Within East Africa) []
 - ii. Continental (Across Africa) []
 - iii. Global (Africa and beyond) []
- g) Industry or sector.....
- h) Please indicate your average annual sales turnover in millions for the last one year.....

SECTION TWO: FIRM COMPETENCIES

2.1 Indicate the extent to which you agree or disagree on each of the following statements regarding firm competencies in the organization in which you work. Rate your responses using the scale: 1=Not at all; 2= small extent; 3= moderate extent; 4= Large extent; 5= Very large extent.

	Technological Competencies	1	2	3	4	5
1.	Technological competence of employees is among the best in the industry					
2.	The firm has accumulated various technological skills					
3.	On the job training is carried out frequently to improve technical skills of employees					
4.	Innovation process in the organization are effectively rewarded					
	Managerial Competencies					
1.	There is a strong feeling in the firm that a common purpose exist					
2.	Management work on development of employees performance and skills					
3.	The firm's management motivates employees to engage in formal education					
4.	The firm's management promotes corporation and exchange of ideas among employees					
	Employee Competencies- Knowledge/ Skills and Attitudes					
1.	Knowledge of employees is among the best in the industry					
2.	Employees undergo continuous professional development					
3.	Employees have the right skills and attitudes for the job					
4.	The employees knowledge and skills are the rights ones for the job					

2.2 In your view, what other aspects could be considered when tackling competencies of your firm?.....

3.1 SECTION THREE: FIRM KNOWLEDGE MANAGEMENT

Please indicate the extent to which the following statements related to Knowledge Management apply to your organization. Rate your responses using the scale: 1=Not at all; 2= small extent; 3= moderate extent; 4= Large extent; 5= Very large extent.

	Knowledge Acquisition	1	2	3	4	5
1.	Employees obtain a good extent of new knowledge from external sources such as seminars, conferences, journals, academic courses					
2.	Employees acquire the relevant knowledge in tandem with the requisite job skills					
3.	Employees rely on experience, skills and knowledge in their work					
4.	The firm has a process of generating new knowledge from existing knowledge					
	Knowledge Application					
1.	Employees use their knowledge as an asset and source of strength for the organization					
2.	Employees understand the significance of knowledge in attaining firm success					
3.	The organization uses knowledge acquired to develop new products and services					
4.	The organization uses knowledge to build competitive capacity of the firm					
	Knowledge Dissemination					
1.	Employees exchange knowledge with their co-workers					
2.	Employees share their knowledge through formal means such as reports, instructions and publications.					
3.	The organization supports the exchange of information and knowledge among organization departments					

3.2 In your view, what other aspects could be considered when tackling knowledge management in your firm?

4.1 SECTION FOUR: PSYCHIC DISTANCE

Indicate the extent to which you agree or disagree with each of the following statements with regard to Organizational Culture in your firm. Rate your responses using the scale: 1=Not at all; 2= small extent; 3= moderate extent; 4= Large extent; 5= Very large extent.

	Business Differences	1	2	3	4	5
1.	Psychic distance affects the performance of the MNC					
2.	The host country benefits from knowledge transfer from the MNC					
3.	The host country benefits from technology and production methods introduced by foreign MNC's					
4.	The firm's structure of decision making and business practices of psychically close countries encourages knowledge transfer and increased performance.					
5.	Psychic distance impacts on knowledge management process in MNC					
	Cultural Differences					
1.	Management has an understanding of the foreign market					
2.	The presence of MNC impact on home country cultures					
3.	The home country culture of the MNC influences the practices associated with the MNC headquartered in the host country.					
4.	Differences in culture affect integration of management practices in MNC subsidiaries					
5.	Knowledge management between multinationals in dissimilar cultural contexts is more intricate than between MNC in similar cultures					

4.2 In your view, what other aspects could be considered when tackling psychic distance in your firm?

SECTION FIVE: FIRM PERFORMANCE

5.1 Indicate the extent to which you agree or disagree with each of the following statements with regard to Organization performance in your firm. Rate your responses using the scale: 1=Not at all; 2= small extent; 3= moderate extent; 4= Large extent; 5= Very large extent.

	Service Delivery	1	2	3	4	5
	There is customer loyalty as a result of the company's product innovations					
	Customers are generally satisfied with the service of the firm					
	The rate of customer retention is higher than that of similar firms in the market					
	Firm Learning and Growth					
	The organization matches skills to the relevant job					
	Employees are generally satisfied with their jobs					
	Employee retention rate within the organization is high					
	The organization offers training and learning opportunities for employees					
	Internal Business Processes					
	The right processes are in the right departments					
	Relevant skills are matched to the right job					
	Rate of Employee turnover is low					
	There is general job satisfaction among employees					

Kindly indicate any other information that may influence performance of your organization?.....

.....

5.2 Indicate the extent to which you agree or disagree with each of the following statements with regard to Organization performance in your firm. Rate your responses using the scale: 1=Not at all; 2= small extent; 3= moderate extent; 4= Large extent; 5= Very large extent.

	Revenue Efficiency	1	2	3	4	5
1.	The rate of Net Profit has increased over the years					
2.	The Growth profit margin has grown over the years					
3.	The firm has more revenue than expenses					
4.	Cost Efficiency					
5.	The company is able to generate sales given its investment in total assets					
6.	The company is able to turn resources into revenue					
7.	The company is able to generate sales given its investment in total equity					

5.3 Please indicate your firm's specific performance within the last three years

S/No.	Performance Measures	2011 Specific Outcome	2012 Specific Outcome	2014 Specific Outcome
	Financial Indicators			
1.	Return on assets			
2.	Return on equity			
3.	Gross Profit Margin			
4.	Net Profit Margin			
	Non-financial Indicators			
	a) Internal Business Processes			
5.	Decrease in productivity			
6.	Decline in labor turnover			
7.	Increase in average unit production			
8.	Decline in working capital			
9.	Improvement in Capacity utilization			
	Service Delivery			
10.	Increase in number of new customers			
11.	Increase in customer retention rate			
12.	Increase in customer loyalty			
	Organizational Learning and Growth			
13.	Number of new products developed			
14.	Number of employees exiting the company per year			
15.	Annual Training Budget			

Appendix III: List of Multinational Corporations in Kenya

S/No.	COMPANY	PRODUCT
1.	AAR Kenya ltd	Financial Intermediation
2.	Afrika Investment Bank Ltd	Financial Intermediation
3.	Bamburi Cement Ltd	Manufacturing
4.	BAT Kenya Ltd	Manufacturing
5.	East African Development Bank	Financial Intermediation
6.	Ecobank Kenya Limited	All Industrial Classifications
7.	Eveready East Africa Ltd	Manufacturing
8.	Fidelity Commercial Bank Ltd	Financial Intermediation
9.	Gapco Kenya Ltd	Petroleum Marketing
10.	Giro Commercial Bank Ltd	Financial Intermediation
11.	Habib Bank	financial intermediation
12.	Habib Bank Ltd	Financial Intermediation
13.	Hashi Energy Ltd	electricity, gas and water supply
14.	I&M Bank	Financial Intermediation
15.	Iber Africa Power EA Ltd	Electricity, gas & water supply
16.	Intercontinental Hotel	Hotels and restaurants
17.	Jubilee Holdings Ltd	Financial Intermediation
18.	Kenindia Assurance Company Ltd	Financial Intermediation
19.	KenolKobil ltd	Petroleum products supply
20.	Kenya CommercialBank Ltd	Financial Intermediation
21.	MFI Office Solutions Ltd	Wholesale& Retail Trade
22.	Nation Media Group Ltd	Manufacturing
23.	NCR (Kenya) Ltd	Sale & Maintenance of ATMs
24.	Ocean Freight E.A Ltd	Transport, and Communication
25.	Ogilvy East Africa	Transport &Communication
26.	Postal Corporation of Kenya	Transport &Communication
27.	Private safaris (EA) ltd	Transport and Communications
28.	SarovaPanafri hotel	Hotels and Restaurants
29.	Standard Chartered Bank (K) Limited	Financial Intermediation
30.	Star East Africa Company	Transport &Communication
31.	The East African ProduceCo.Limited	Wholesale and Retail Trade
32.	Bank of India	Financial Intermediation
33.	Total Kenya Ltd.	Petroleum
34.	Trans-National Bank Ltd.	Financial Intermediation
35.	Amiran communications ltd	transport and communications
36.	Amiran Kenya Ltd	Manufacturing& Agriculture
37.	Bayer East Africa Ltd	Manufacturing
38.	East African Safari Air Express	Transport and Communication
39.	Jetlink Express Limited	Transport & Communication
40.	Kenya Airways Limited	Transport and communications
41.	CMC holdings Limited	Manufacturing
42.	Davis &Shircliff Limited	Manufacturing & Wholesale

S/No.	COMPANY	PRODUCT
43.	DHL World Wide Express Kenya Ltd	Transport and Communication
44.	DT Dobie & Company (K) Ltd	Wholesale and retail trade
45.	East African Cables Ltd	Manufacturing
46.	East African elevators co ltd	construction
47.	East African Packaging Industries Ltd	Manufacturing
48.	GlaxoSmithKline	Manufacturing
49.	R.T(East Africa) Ltd	Manufacturing
50.	AIRTEL Kenya Ltd	Communication
51.	East Africa Portland Cement Co.Ltd	Mining and Construction
52.	General Motors E.A Ltd	Manufacturing
53.	Maersk Kenya Ltd	Transport and Communication
54.	Sameer Africa Limited	Manufacturing
55.	The Copy Cat ltd	wholesale and retail trade
56.	Toyota East Africa Ltd	Wholesale& Retail Trade
57.	Yana East Africa Ltd	Manufacturing
58.	Amber Crombie & Kent Ltd	
59.	East African Breweries Ltd	Manufacturing
60.	Ecolab East Africa(K) Ltd.	Wholesale & retail trade
61.	Alexander Forbes East African Ltd	Financial Intermediation
62.	AMREF	Health & Social Activities
63.	Price waterhouse coopers	Business Advisory and consultancy
64.	Siemens Ltd	Electricity, gas & water supply
65.	Syngenta E. A Ltd	Agriculture ,hunting and forestry
66.	World Vision Kenya	
67.	Equity Bank Ltd	
68.	GE East Africa Service Ltd	Real Estate
69.	Oxford University Press (E.A) Ltd.	Manufacturing
70.	Colgate Palm Olive(EA) Ltd	Wholesale& Retail Trade
71.	James Finlay(K) Ltd	Manufacturing& Agriculture
72.	Bata Shoe Company Kenya Ltd	Manufacturing
73.	Mount Kenya bottlers ltd	Manufacturing
74.	Alliance One Tobacco(K) Ltd	Manufacturing
75.	Delmonte(K) Ltd	Manufacturing& Agriculture
76.	Tropical Farm Management(K)Ltd.	Real Estate
77.	MaishaMabati Mills	Construction
78.	Merlin International	Medical Relief
79.	Surgipharm Ltd	Pharmaceuticals
80.	Aon Minet Ins. Brokers Ltd	Financial Intermediation
81.	Kingsway Tyres LTD.	Wholesale retail trade
82.	Sai Office Supplies Ltd.	education
83.	Bank of Baroda(K) Ltd	
84.	Insurance Company of E. A. Limited.	Insurance Services

S/No.	COMPANY	PRODUCT
85.	Atlas Copco Eastern Africa Ltd	Manufacturing
86.	EnnsValley Bakery Ltd	Manufacturing
87.	Kuehne& Nagel Ltd	Real Estate
88.	Oilcom (K) Limited	Real Estate
89.	Tononoka Steels Limited	Manufacturing
90.	PressMaster Limited.	Manufacturing
91.	Bobmil Complex	
92.	African Marine & General Engineering Co Ltd	Manufacturing
93.	VFs Limited	Branding
94.	Bat Kenya Ltd	Manufacturing
95.	Afro German Engineers & Consultants	Wholesale& Trade
96.	Dodhia Packaging Ltd	Manufacturing
97.	English Press Ltd	Manufacturing
98.	Hi Plast Ltd	Manufacturing
99.	InSteel Ltd	Manufacturing
100.	Kenpoly manufacturers ltd	Manufacturing
101.	Kens Metal Industries Ltd	Manufacturing
102.	Aber Crombit& Kent(K) Ltd	Transport and Communication
103.	Gulf Energy Ltd	Manufacturing
104.	Spss EA Ltd	Real Estate

Source: Kenya National Bureau of Statistics 2014