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Effects of Cross Cultural factors on Knowledge management of Kenya Homegrown Multinationals Operating in East Africa

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Abstract:

The economic integration of the five East Africa regional countries has created unprecedented opportunities and new challenges. Kenya homegrown multinational firms have taken advantage of these opportunities by expanding their businesses in the region. However, cross-cultural diversity factors are affecting Strategic Human Resources Management activities in business management. This study sought to investigate the influence of cross-cultural diversity factors on Knowledge Management from a Strategic Human Resource Management perspective of Kenya homegrown multinational firm. From the sampled 17 selected companies a total of 284 managers were sampled from each category of companies as the respondents. The study showed that the main cross-cultural diversity factors namely differences in education system, language difference, business ethics and HRT culture influenced knowledge management in the East Africa Common Market. Based on these findings, recommendations were made, first was the need of harmonization of values in education systems of East Africa Community. Second, was to have a common official language that will enable easy coordination of business transactions, third was the harmonization of legal systems that promote positive values in business ethics. Fourthly, was the provision of human resource technology infrastructure that gives effective and efficient facilitation of strategic human resource management in the region? Lastly, Model proposal of Strategic Human Resource Management and knowledge manage was recommended.

Keywords: Knowledge management, cross cultural diversity, East Africa common market, Kenya, harmonization

1. Introduction

There is a overwhelming preference for knowledge-based economies, because of globalization, rapid growth in information and communication technology. Proponents of knowledge management view it as one the most valuable resources used to set human resources, strategic priorities and the achievement of organizational goals in the 21st century (Pinnington, Kamoche and Suseno, 2008; Bowman and Swart, 2007; Kamoche, 2006; Iles *et al.*, 2001). A significant number of contributors have asserted that application of knowledge management leads towards product and service value creation, innovation, and learning (Pinnington *et al.*, 2008; Afiouni 2007; Leidner, Alavaniand and Kayworth, 2006; Thite, 2004; Grant, 1996; Nonaka and Takeuchi, 1995). It promotes positive development of stakeholders' relationships, customer service, contract negotiation and service brands in which all require the application of knowledge management practices. At cross-border markets knowledge is based on cultural preference and taste on goods and services as demanded by the needs of the customers by the host country. Cross-cultural diversity is one of the most challenging elements of the international market operations. Hofstede (2001), Holden and Tansley (2002) variously argued that cross-cultural backgrounds would affect working values of both the local and international employees. Further, empirical studies have confirmed that cross-cultural differences impact adversely on knowledge management (Nzioki,2011; Holden and Tansley, 2007; Nadene *et al.*, 2007; Leidner *et al.*, 2006; Holden, 2002; Delong and Fahey, 2000). It is imperative, therefore, for the Kenya home grown multinational firms to embrace preference of knowledge management at the emerging Common Market of the East African Community (EAC).

2. The Context of the East African Region

The challenges of EAC can be precisely explained by narrating their historical background based on ideological and political constructs. History of the East Africa community was first formed by three sister countries, namely, the Republic of Kenya, the Republic of United Tanzania and the Republic of Uganda (Nzioki, 2011; the Treaty for the establishment of the EAC, 2007). Before their independence they shared mutual cooperation in many sectors of the economy between 1897 and 1960. They included Custom and Postal Union, construction of the railway network joining Kenya and Uganda, monetary union of EA common currency between 1967 and 1977 (Treaty for the establishment of the EAC, 2007). In addition the Court of Appeal for East Africa was established in 1909 and the High Commission of East Africa Orders in Council was set in between 1947 and 1961 (EAC, 2007). However, this did not last long since in 1977 the treaty of EAC Cooperation which established EAC was officially dissolved (EAC, 2007). There were several reasons which resulted in its collapse and dissolving. One of them was political will and differences on levels of economic development among the member states that resulted in suspicion and fear of each member country (Nzioki, 2011; Jumuiya, 2009, EAC, 2007). Hence, the goals of the economic integration in the business environment in the common market could not be achieved effectively when labeled with 'fear and suspicion' (Jumuiya, 2009, p. 4). It is arguable then that this challenge is a product of cross-cultural diversity and differences in political ideologies. These differences could have adverse effects on knowledge management in strategic human resources practices in the East Africa region. However, the region has once again been rejuvenated and is poised for further integration and growth.

3. Cross Cultural Diversity's Influence on Knowledge Management

The integration of regional economies has prompted Kenyan home grown firms to expand their operations across Kenya's borders (Kumba, 2008; Maliti, 2008; Ran, 2009; Wachira, 2008). Both service and manufacturing companies from Kenya are taking advantage of the emerging business opportunities in the region. In addition, the Common Market has opened its doors to free movement of professional and other knowledge workers in technical and service industries from the five East Africa countries (EAC, 2007). This has encouraged human resource professionals to realize the flexibility of engaging in the international market. However, there are cross-cultural diversity challenges confronting Kenya homegrown multinational firms in achieving competitive advantage (Nzioki, 2011). These are companies which have their trace of establishment of businesses using various portfolios in Kenya. The obstacles include cultural differences embedded probably in the education systems, language, business ethical practices and human resource technology infrastructure (Ran, 2009; Kumba, 2008; Maliti, 2008; Wachira, 2008). Since it is an emerging economy, rapid expansion and sustainability of business functions is a fundamental issue that requires research. Business knowledge and embedded cultures in the region is a controversial issue in terms customer relations in the EAC common market. The objective of this study was to investigate the influence of these cross-cultural factors in knowledge management. It is a build up of a research agenda on the emerging issues in human resource management in East Africa market (Nzioki, 2011).

Substantial research has been done in cross-cultural diversity affecting Multinational firms in the developing countries (Adeoye, 2009; K'Obonyo and Dimba, 2007; Soderberg and Holden 2002; Nyambegera, Sparrow and Daniels, 2000). K'Obonyo and Dimba (2007) found that cross-cultural factors influenced HR policies amongst multinational firms. Nyambegera, Sparrow and Daniels (2000) conducted an empirical study which confirmed that cross-cultural factors affected HRM preferences on employee orientation in the region. Hofstede (1983) findings revealed that cross-cultural diversity influenced HRM policies in East Africa (Aswathappa and Dash, 2009). However, these studies did not address the influence of cross-cultural factors on Knowledge Management among Kenyan home grown multinational firms. One of the objectives of the economic integration is a liberated common market with an aim of optimizing the resources, including that of human resource knowledge (Jumuiya, 2009; EAC, 2007). Rapid expansion and sustainability of the emerging economy will depend on a conducive, business environment for the human resources since they are the enablers of business operations. It is imperative and prudent to research on cross-cultural factors affecting the application of Knowledge Management practices in SHRM of business operations and activities in the EA Common market (Nzioki, 2011).

3.1. Differences in Education Systems

The background of education systems in East Africa was based on the different cultures of the political foundations of colonization. When Kenya, Uganda, and Tanzania formed East Africa Community in 1967 they adopted an integrated curriculum to provide a harmonized background for human resource training and development (EAC, 2009). The curriculum was based on 7-4-2-3 levels of the education system. The examination certificates attained bore the name of the EAC logo, which changed after the collapse of the community in 1977. Later, each country adopted their national identity in the awards of certification of national examinations. The collapse of the community weakened the foundations of the basic needs of education. This resulted in disparities on of instrument of training and development of human resources (Nzioki, 2011; EAC, 2009). Challenges include the difference of years to train personnel in academic courses, resulting differences in quality of values. For instance, Tanzania, Rwanda and Burundi are still based on 7 years of Primary school, 4 years of Secondary school, 2 years of Advanced Level and 3 years of University Education. Uganda, 7 years of Primary education, 6 years of Secondary and 3 to 5 years of Post Secondary education. Kenya changed her curriculum from (7-4-2-3) to (8-4-4) System in 1985, which is 8 years of Primary school, 4 years of Secondary school and 4 years of University education. A comparative study by UNDP (2004) showed that enrollment for both females and males in school is much higher in Kenya and Uganda than in Tanzania, Burundi and Rwanda. It further showed that literacy rates in Kenya are the highest at 88 % in men and 79 % in female with 84 percent being the overall in the region (UNDP, 2004). According to UNIDO (2007) foreign investors recruit Kenyan

personnel holders of a bachelor's degree and above to work in sub-Saharan multinational firms. Low literacy rates, for example, in South Sudan, Burundi and Rwanda affect coordination of efforts in business operation and result in reduced productivity (EAC, 2005; World Bank, 2004; UNIDO, 2007).

The effect of imbalance of literacy rates in the East Africa Community should not be overlooked as it affects the management of business knowledge amongst human resource in the region. Consequently, coordination of business operation becomes a challenge in terms of customer relation, contract negotiation, HR policies and other related issues. Hence, quality, the relevance of work values, skill, knowledge embedded in different cultures set in education systems in the region requires investigation to guide in the harmonizing of HRM policies and practices (Osman, Ngane, and Damiano, 2010). The Treaty for the establishment of the EAC (2007), in Article (102) has specified the need to harmonize the relevant institutions of human resource development. Further, EAC (2005) findings show that there was need to harmonize education systems to enable the integration have "a well-rounded human resource" to meet the demands of economic integration, globalization and technology effects.

3.2. Language Differences

All the five countries of East Africa use different languages. For instance, Kenya and Uganda use English as the business language while Tanzania communicates in Kiswahili. Rwanda and Burundi are largely French and *Kinyarwanda* speaking countries and their business systems operate in the two languages. Further, Kenya and Uganda use English as the languages of instruction at all levels of education institutions. Tanzania uses Kiswahili at the primary level and English at secondary level as the language of instruction (Nzioki, 2011; EAC, 2005). Fina Bank experienced a language challenges in wooing customers in expansion its expansion bid to Rwanda (Kumba, 2008). Language capability is important in a firm's communication, whether it is within the organization or other unit members, since it acts as an interpretive tool to pass messages and information. Every society has different meanings attached to their daily business activities. Soley and Pandya (2003) argue that language differences affect the community in business interaction in several ways. For instance, the English language has 'a rich, powerful vocabulary' used in business operations that influences knowledge management practices. Harzing and Pudeko (2012) suggest that language is a formal and informal source of power and should be identified to guide in all levels of international business.

Harzing's (2011) findings revealed that language barrier slowed down and increased the cost of decision making in German and Japan multinational corporations. Language reflects the nature and values of people and is an obvious difference in every aspect of culture in a society. Such differences affect the smooth running and transactions of business within a company' in relation to customers. Language difference is the main cause of breakdown of communication and hindrance to effective work performance in an organization in international business. This may explain the assumption that there is difficulty in transacting business effectively in the EAC region.

3.3. Business Ethics Practices

EAC (2005) pointed out that there are noticeable unethical practices that hinder investors in the region. They include corruption and stereotypical behaviour caused by fear and suspicion amongst the people. Corruption and bureaucratic processes are open loopholes for unethical workplace practices, and are notably cited as serious concerns in the human resource perspective (EAC, 2005). The above factors require managers working internationally to take considerable steps in coordination and use of appropriate management models of ethical policies on workplace behaviours (Nzioki, 2011). This can be done by adopting measures perceived as necessary for business success to fit the local and cultural circumstances at international level. East Africa Community (2005: 69) reported, "Corruption is an issue flagged by investors in all the three countries. In Kenya, it is perhaps the biggest concern, in part because there have been instances of corruption on a truly spectacular scale although its character varies. In Tanzania and Uganda it appeared to be petty corruption that most concern investors".

A report from EAC Bribery Index (2011), show that there was a difference of 40 percent high and lowest at 2.5 percent of corruption among the East Africa countries. The report further explained that this factor identified as a non-tariff barrier interfered with HRM practices in trade management in the region (EAC Bribery index, 2011). The result was the high cost of doing business and erosion of business ethics, hence undermining the efficiency of economic integration and trade in EAC. It also promotes impunity and erosion of business integrity values. Provision of common and harmonized legal systems to result in sound management of business ethical issues may help reduce this factor the (EAC, 2007). However, this requires constant research on ethics and business values embraced in the region. This study sought to investigate the influence of business ethics on knowledge management.

3.4. Human Resource Technology Infrastructure

As Kenya home grown multinationals strive to achieve competitive advantage in the regional market, cultures attached to technology infrastructure are of fundamental importance. Human Resource Technology (HRT) culture signifies the tangible artefacts and systems that are used in the organization to facilitate human resource functions (Armstrong, 2005). The traditional models of typewriter, telegrams, manual filing of employees' profiles and related functions are still in use in some of EAC countries (Wachira, 2010). They are slow and do not operate on a real time value which is a factor of effectiveness and efficiency in a knowledge-economy in the 21st Century. The five states are mandated to give an enabling human resource technology infrastructure to facilitate the private and public sector meet the demands of the global and regional market forces (EAC, 2007). However, East African countries have a poor technology infrastructure that becomes a challenge to human resource practices (Nzioki, 2011). Empirical studies indicate that 71

percent of the organization in countries in developed countries had intranets that met human resource needs (O'Brien, 2007). Africa's developing countries are far below this mark.

Studies show that human resource technology infrastructure improves management of human capital, knowledge management, and availability of information in Africa (Wachira, 2010). East Africa is still developing its human resource technology infrastructure hence is a challenge to the Kenya home grown multinational firms. This study set out to identify whether HRT infrastructure is one of the cross cultural factors that inhibit successful knowledge management among the firms.

The four research questions to be addressed in this study then are:

- RQ1: Do differences in education systems have influence on knowledge management among Kenya home grown Multinationals?
- RQ2: Are language differences a hindrance to effective work performance on knowledge management among Kenya home grown Multinationals?
- RQ3: what influence has business ethics in knowledge management among Kenya home grown Multinationals?
- RQ4: Does Human resource technology infrastructure influence knowledge management among Kenya home grown Multinationals?

4. Methodology

4.1. Sample and Procedure

The study adopted analytical cross-sectional survey. Data was collected from the sampled selected seventeen companies. Thirty four companies were identified from Nairobi Stock Exchange (2010) contained the required information for the selection criteria. Out of these a sample of seventeen selected companies using appropriate sampling procedures (Turner, 2003; Israel 2009). Each company was served with letters of permission after being allowed through the head of Human Resources department. Majority of the companies were in the manufacturing, service sector, and a few in other business portfolios (see Table 1).

Organization	Product	Location Head Quarters	Subsidiary location/ Country	Age of Operation in years	Employees establishment 100-4000*
Steadman Group	Research services	Nairobi	Uganda, Tanzania, Zambia, Mozambique, South Africa, Nigeria	30 years	4,000
UAP	Insurance services	Nairobi	Kenya, Ruanda, Sudan	16	184
Brookside Dairy Limited	Dairy products processing	Nairobi	Kenya, Uganda Tanzania, Rwanda, Burundi, Egypt	18 years	1530
Nakumatt Supermarket	Retail and merchandise	Nairobi	Kenya	24 years	1000
KenolKobil limited	Oil, petroleum Kerosene	Nairobi	Kenya ,Uganda, Tanzania, Zambia Rwanda, Congo, Burudi, Ethiopia	52 years	4000
Tuskys Supermarket	Retail and merchandise	Nairobi	Kenya	-	1000
Inter consumer	Skin-care product	Nairobi	Kenya	16 years	500
Equity bank Limited	Banking services	Nairobi Mombasa	Kenya, Uganda Southern Sudan	27 years	4,000
Kenya commercial Bank	Banking services	Nairobi	Uganda, Tanzania Rwanda	115 years	3000
Dyer and Blair Investment Bank	Investment and Banking services	Nairobi	Kenya, Uganda	46 years	120
Bamburi Cement Limited	Cement production	Nairobi	Uganda, Mauritius, Comoros, Sri Lanka Seychelles, Congo Madagascar	60 years	3000
Nation Media Group	Media publications	Nairobi	Uganda, Tanzania Kenya	52 years	3000
Insurance Company of East Africa (ICEA)	Insurance services	Nairobi	Kenya Uganda	27 years	1000
Uchumi Supermarkets Ltd	Retail and merchandise	Nairobi	Kenya	36 years	1000
Master mind	Tobacco processing	Nairobi	Kenya	13	
Fina Bank group	Banking services	Nairobi	Kenya, Uganda Rwanda	25 years	500
Jubilee Insurance Limited	Insurance services	Nairobi	Kenya, Uganda Rwanda	70 years	700

Table 1: Characteristics of Kenya Home grown Multinational Firms in the sample
Source: Field Survey Data 2010. * Approximate establishment at the period of data collection.

Primary data was collected from managers using a structured questionnaire. Secondary data was collected from the companies' annual reports, documented records and literature sources. The collected data was counter checked for any missing entries before the actual data entry. It was coded to allow for easy management of statistical analysis. A database was designed in MS Access for easy validation and error control.

Descriptive and inferential statistics were to answer the objectives of the study. ANOVA and t-test were used to analyze difference of means score. While Pearson Product Moment correlation was utilized in assessing the strength of relationship. Multiple logistic regressions was used in analyzing the effects on variables. Categorical dummy variables were introduced to present missing and present values as 1 and 0 for the coefficient and observed values in question (Power and Xie, 1999). A p-value of less than 0.05 was considered statistically significant. Logit Model Criteria (LMC) was analyzed using diagnostic statistics, where evaluation for decision rule was done by observing the model fitting. Criteria Information using Akaike Information Criteria (AIC), Bayesian (BIC), Chi-square, Deviance and Pseudo R^2 . Logit function was used to regress the factors. Model fitting criteria was Evaluation on the analysis outcome was used to explain the effects of cross-cultural diversity on knowledge management.

5. Measures

The questionnaire focused on four main parts covering the main phenomena under investigation. The first section covered demographic profile as follows; background information about the respondent namely gender, age, and education level (see Table 2 for a summary of demographic characteristics).

5.1. Demographic Characteristics of the Managers

Gender	Frequency	Percent
Male	119	58
Female	86	42
Total	205	100
Age	Frequency	Percent
21-30 years	98	48.2
31-40 years	75	36.6
41 and above	32	15.2
Total	205	100
Education Level	Frequency	Percent
Diploma	59	28.8
Bachelors' Degree	92	44.9
Masters Degree	45	21.9
PhD Degree	9	4.4
Total	205	100
Period of work in Years in the company	Frequency	Percent
10 months and below	20	9.8
1 year-2 years	30	14.6
3years-4 years	49	23.9
5years-6 years	28	13.7
7years-8 years	20	9.8
9years-10 years	40	20
11years-12 years	7	3.4
Above 12 years	10	4.8
Total	205	100
Designation	Frequency	Percent
Senior Managers	63	30.7
Managers	95	46.3
Middle-managers	47	22.9
Total	205	100
Computer Literacy	Frequency	Percent
Yes	182	88.8
No	23	11.2
Total	205	100

Table 2: Demographic Characteristics of Managers
Source: Field Survey Data 2010, Note. n=205

Table 2 presents the demographic characteristics. The gender of the respondents showed the sample was fairly dominated by the male (58 percent) and female (42 percent). The respondents' ages were collected in various brackets as shown above. The cumulative age profiles show that most of the managers ranged between 21 and 30 years (50.2 percent) while those in 31 and 40 years were (35.6 percent). The educational level shows that a majority of the respondents were holders of bachelors' degree at (44.9 percent), Diploma (28.8 percent), Masters' degree (21.9 percent), and PhD 4.4 percent. The study sought to find out how long the respondents had worked in the company. 23.9 percent had worked in their organization for 3 to 4 years while 13.7 percent had worked in the organization for 5 to 6 years. Those who had worked in the company for a period of 1 to 2 years made 14.6 percent of the managers. Managers who had been in the company between 7 to 8 years and below 10 months constituted 9.8 percent respectively.

This section shows the various job designations that the respondents held in the companies. Those in positions of senior management were 31 percent. Those holding managers position were (46.3 percent) and middle-managers were (22.9 percent). Computer literacy response rate stood at 88.8 percent for those who were competent while (11.2 percent) were illiterate. Other value added computer advancements were computer packages, computer science, diploma in programming, diploma in IT, computer engineering and specialists in computer software and hardware. All the respondents were Kenyan citizens. From the 17 sampled selected companies, a total of 284 managers were sampled as respondents. A total of 284 questionnaires were sent to these respondents. From these 254 questionnaires were returned and out of these, forty-nine (49) were non-response. A total of 205 questionnaires were duly answered representing a valid response rate of 72 percent. According to Saunder *et al.*, (2003) argue that a 30 percent response rate is considered acceptable in survey research. They further suggest that, for multinational organization the response rate of variability of between 52 to 100 % was considered adequate.

Section B, covered work cultural value information and items adapted from Values Survey Module, 2008 Manual with permission (Hofstede, *et al.*, 2008). They were meant to tap managers' individual cultural values. Section C was to give information on cross-cultural diversity values and differences that are a challenge in the East Africa common market. Section D gave knowledge management information meant to capture individual preferences on knowledge management practices. The instruments of measurement were of open and close ended questions. The closed ended questions were used to obtain data that was supported by information in the organizations' record in the archives. Knowledge management tool was self-administered and specifically inquired on socialization structures and practices based on Nonaka's SECI model (1995).

5.2. Knowledge Management

Knowledge management constructs were set in two phases. First, social behavioural values and second the practices associated with them. All indicators of construct formed a total of nineteen and two opinion items. The seven items were trust, teamwork, lack networking, commitment to work, collaboration in sharing knowledge and lack of loyalty, and intellectual property rights. Management of information factor had four construct; a few minutes, a few hours, a few days, a week or more. All were measured using binary outcome of (Yes) and (No). Consequently, these levels could not be observed without the application of knowledge management practices that manifest themselves in socialization interactions. There were eight items of knowledge management practices on Likert scale. They were customer relations (external and internal), training and development, communication channels and practices. Others were incentive and rewards for sharing knowledge, collaborative group practices, and community networking. Further, faster responses to key business issues and budget allocation for training were part of the factors. The Likert constructs had five levels 'utmost importance to no importance attribute' In addition, two items of constructs were set on opinion views from the respondents. (i) initiative taken by the firm to implement knowledge management process and (ii) enhancement of knowledge base resources by government institutions and industry associations in East Africa region.

5.3. Cross-cultural Diversity Differences

A total of forty-four items were used to examine the influence of cross-cultural diversity on knowledge management. The Operationalization of these factors was related to organizational work values and culture. They were adopted and modified from Hofstede version survey module manual (VSM) 2008 with permission from the selected four questions related to the study at hand, twenty-one items of construct were selected. Seven items on 'employee demonstration of the firms values' were put on the scale of binary outcome of Yes and No and were used to investigate business ethics factor. Aspect of your job items were seven on a Likert measurement level of scale 'very good-very poor' attribute. The seven (7) items measured work values were used to investigate the extent of the influence of differences of education systems on knowledge management. Some of the cross-cultural diversity differences were measured in the construct levels of binary outcome (Yes and No) and dichotomous scale. Differences of education systems had five items of measurement. They were 'education level challenges' encountered in the workforce. Second was the influence of 'coordination of business operations in your firm'. Third, was education systems are a barrier to effective training and development'. Fourth, 'differences in education systems are a barrier to effective training and development in my organization'. Fifth, is 'differences in education systems impact on career management'.

Language differences construct had four items that examined their influence on knowledge management. They were common language; training language proficiency; hindrance to effective work performance and language differences is the main cause of communication breakdown in East Africa common market. They were measured using a binary scale of Yes and No outcome. Examination of business ethics practices influence on knowledge management construct had seven items. They were discriminatory practices, corruption, biased employment regulations stereotyping, transparency, integrity and respect. They were measured using a binary scale of Yes and No outcome. Human resource technology infrastructure constructs had six items on the scale of Yes and No

measurement. They were ‘linked to all members and subsidiaries’, ‘organizational memory accessible to the entire company’, ‘collaborative support amongst members’, and ‘speedy networking’.

5.4. Results

The result in Table 3 shows that differences in education systems affect the coordination of business operations in your firm in the region (ED 3) with a positive significance ($p < 0.01$). The rest of the variables were not significant (ED4, ED 2). Since only one variable was significant one can argue that there was no strong support to conclude that differences in education systems influenced knowledge management within Kenyan home grown multinational firms in East Africa.

Factor Affecting KM	KM using the 4 Factors Measures ¹		OR (95% CI)	p-value
	Yes, n (%)	No, (%)		
Differences Education systems				
ED1	30(16.6)	151 (83.4.)	1.4(0.39 to 4.96)	0.610
ED2	30(16.6)	151 (83.4.)	1.4(0.39 to 4.96)	0.610
ED3	58(61.7)	123 (68.0)	5.1(1.2 to 22.8)	0.016*
Language Differences				
LA1	93(51.4)	88(48.6)	2.6(1.0. to 6.5)	0.041*
LA2	100(41.3)	81(44.8)	13.6(3.1 to 59.5)	0.001*
LA3	123 (68.0)	58(32.0)	2.5(1.1 to 5.9)	0.032*
LA4	82(45.3)	99(54.7)	3.1(1.1. to 8.8)	0.023*
Business ethics Practices				
BE1	93 (51.4)	88(48.6)	2.6 (1.02 to 6.5)	0.041*
BE2	16 (51.6)	15 (48.4)	0.8 (0.3 to 2.0)	0.095
BE3	115(63.5)	66(36.5)	0.2 (0.72 to 0.87)	0.020*
BE4	107(59.1)	74(40.9)	1.2(0.52 to 2.9)	0.644
HR Technology				
HRT1	109 (60.2)	72(39.8)	0.76 (0.3 to 1.8)	0.543
HRT2	110(60.8)	71(39.2)	0.55(0.19 to1.4)	0.176
HRT3	106(58.6)	75 (41.4)	2.3 (0.97 to 5.6)	0.049*
HRT4	30 (68.2)	14 (31.8)	9.5 (2.4 to 36.6)	0.893
HRT5	138(76.2)	43 (23.8)	1.07 (0.4 to 2.8)	0.001*

Table 3: Analysis of Cross-cultural Factors their influence on Knowledge Management using the four factors measure.

Note. * Level of Significance at 5%. Four factors measure- (Teamwork, trust, Loyalty and Networking for Knowledge management were used for cohort of knowledge management). Difference of freedom =1, n=205

The second observation is that language difference variables were all significant at $p < 0.05$. ‘Language differences are a hindrance to effective work performance in my organization’ (LA1) was significant with $p < 0.041$. While ‘training in language proficiency’ (LA2) was significant at $p < 0.001$. Similarly, ‘Language differences are not the main cause of communication breakdown in the East Africa common market’ (LA3) was significant at p-value of 0.032. ‘Use of common language in business transactions in East Africa region is important’ (LA4) was significant at $p < 0.023$. Since items were significant the null hypothesis was rejected and alternative upheld. There was enough evidence at 95 percent confidence level to suggest that language differences influence knowledge management within Kenya’s home grown multinational firms in East Africa.

The third hypothesis was ‘business ethics influences knowledge management within Kenyan home grown multinational firms’ There were two variables that were significant. ‘Corruption’ (BE1) had minimal significance of $p < 0.041$. Stereotyping (BE3) was also significant at $p < 0.020$. ‘Transparency’ (BE4) and biased employment regulations (BE2) were not significant. From this evidence it can be argued that business ethics influences knowledge management within Kenyan home grown multinational firms in East Africa. Since these were significant, the alternative hypothesis was upheld at 95% confidence level.

The fourth hypothesis tested whether, Human resource Technology Infrastructure influences knowledge management within Kenyan home grown multinational firms. Two variables were significant in this factor. Duration of time taken to ‘pass information by an employee’ (HRT5) was significant at $p < 0.001$. The second significant variable was ‘Human Resource Technology support collaboration amongst the employees in the firm’ (HRT3) with a $p < 0.049$. Another factor inquired into whether the company was linked to all members and relevant external subsidiaries by a technology infrastructure (HRT1) and HRT2) ‘Human resource technology creates an organizational memory that is accessible to the entire company’ were not significant. Similarly ‘Human resource technology is placed in the hands of employees for speedy networking’ (HRT4) was also not significant. Despite the insignificance of these three variables, their scores lie at marginal levels of effect on knowledge management practices. The overall analyses of these results indicate that there is strong ground of evidence to suggest that HRT infrastructure influences Knowledge management within Kenya’s home grown Multinational Firms. It can be concluded that this factor is a challenge in managing knowledge, availability of information and effective management of HR due to different HRT infrastructure in the region. General observation of the predicted outcome of the main objective show that there is enough evidence to conclude that cross cultural

diversity factors have influence on knowledge management among Kenyan home grown multinationals firms in East Africa. The decision rule was not to reject the null hypothesis at $p < 0.05$, where all the fixed factors have at least a variable of significant value.

6. Multiple Logistic Regression Analysis

The procedure of the regression analysis was based on four steps recommended by Peng, Lee and Ingersoll (2002). Test of soundness of the regression model was done before evaluation. First, the regressors were run and the outcome of the model evaluated. Statistically significant predictors were identified and validated. Second, individual significant regressors were analyzed for test of the specification using step-wise method. Essentially, this was to get a clear evaluation of model adequacy. Cumulative effects of the regressors were taken into account in this process. F-test was considered appropriate for decision making on element treatments. R^2 was used with other indices such coefficient, values and standard errors to interpret the results. Statistically significant regressors were accepted in the statement of the hypothesis. In this case, the model was considered adequately specified. The primary objectives were regressed to establish a logistic model that could explain the probability of effects of cross cultural factors on knowledge management (see Table 4). Specification of the logistic regression model was constructed before regressing.

EFFECTS	B	se (B) Errors	p-value	Exp (B) ODDs	95% CI		Log likelihood deviance	Chi square
					Lower	Upper		
Intercept	2.5	2.3	0.268				81.568	.000
ED1	1.1	0.6	0.076	2.9	0.9	9.3	84.72	3.157
	Ref.	.	.	.	.	.
ED2	-0.9	0.8	0.220	0.4	0.1	1.9	83.07	1.506
	Ref.	.	.	.	.	.
ED3	1.3	0.6	0.023	3.8	1.2	12.6	86.70	5.140
	Ref.	.	.	.	.	.
ED4	-1.8	1.0	0.040	0.2	0.2	1.1	85.77	4.203
	Ref.	.	.	.	.	.
ED5	0.9	1.0	0.335	2.6	0.4	17.1	82.49	0.931
	Ref.	.	.	.	.	.
LA1	1.3	0.6	0.030	3.5	1.1	11.1	86.25	4.689
	Ref.*							
LA3	0.3	0.6	0.636	1.3	0.4	4.2	81.792	0.223
	Ref.							
BE1	1.8	0.7	0.012	6.2	1.5	26.1	87.83	6.264
	Ref.	.	.	.	.	.
BE2	0.4	1.0	0.712	1.5	0.2	10.1	81.7	0.136
	Ref.	.	.	.	.	.
BE3	-1.6	1.0	0.074	0.2	0.0	1.4	84.75	3.185
	Ref.	.	.	.	.	.
BE4	-1.1	1.6	0.474	0.3	0.0	7.4	82.081	.513
	Ref.	.	.	.	.	.
BE5	0.2	0.9	0.806	1.3	0.2	7.9	81.62	.060
	Ref.	.	.	.	.	.
HRT1	1.5	0.7	0.046	4.5	1.0	19.2	85.54	3.981
	Ref.	.	.	.	.	.
HRT2	-3.2	1.2	0.001	0.04	0.0	0.4	92.94	11.379
	Ref.	.	.	.	.	.
HRT4	0.6	0.7	0.384	1.8	0.5	6.6	82.32	.758
	Ref.	.	.	.	.	.

Table 4: Regression analysis on cross cultural diversity by knowledge management factors

Note: The reference * category is: no. The overall model evaluation was specified as: Pseudo R^2 (Nagelkerke) = 0.283, Number of observation $n=205$ Chi-square (15) = 18, Log-likelihood = - 57.898898.

Table 4. presents the results of regression in the full model. The Pseudo R^2 value was 0.283 (Nagelkerke). This was 28 percent variation of knowledge management as explained by cross-cultural diversity factor. The R^2 showed a rather low value and Logit model was further analyzed to arrive at conclusive and informative interpretation. However, 'differences in education systems affect coordination of business operations in your firm in the region' (ED 3) was significant since the $p < 0.023$ at 5 percent significance level. 'Differences in education systems are a barrier to effective training and development in my organization' (ED 4) was significant with a $p < 0.040$. In addition, 'language differences are a hindrance to effective work performance in my organization' (LA1) was

significant with a p-value of 0.030. Corruption (BE1) was significant with a $p < 0.012$ at 5 percent significant level. HRT is linked to all members and relevant subsidiaries by technology infrastructure’ was significant since the $p < 0.046$. While ‘human resource technology create an organizational memory that is accessible to the entire company (HRT2) was significant with a $p < 0.001$.

6.1. Analysis for Model Adequacy

Further analysis was done to arrive at conclusive information. The objective was to identify the effect of significant predictors on knowledge management from the logit model. Significant predictors were identified from the full model as specified in Table 4.

Km	Coef	Std. Error	t	p>|t	95% conf.	interval]
LA 1	.1427564	.0517196	2.76	0.006	.0407707	.244742
ED 3	.081658	.0455507	1.79	0.075	-.0081633	.1714792
BE 1	.1192958	.0609248	1.96	0.052	-.0008417	.2394332
HRT1	-.64559	.0498705	-3.30	0.001	-2628984	-.0662197
icons	.0790693	.343845	2.30	0.023	.0112666	.146872

Table 5: Significant predictors from the full model

Source	ss	df	ms
Model	1.79912165	4	.449780414
Residual	19.3911222	200	.096955611
Total	21.1902439	204	.103873745
Number of obs	=		205
F(4, 200)	=		4.64
Prob> f	=		0.0013
R – squared	=		0.0849
Root MSE	=		.31138

Table 5 presents predictors in the model that were identified for further analysis. LA1 Language differences are a hindrance to effective work performance in my organization. ED3= Differences in education systems affect coordination of business operations in your firm in the region. BE1=Corruption. HRT2= Does the Human Resource Technology create an organizational memory that is accessible to the entire company?

6.2. Improvement of the Model

It is argued here that adding organizational memory accessibility (HRT2) and language difference hindrance (LA1) improves the regression model (see Table 6) Where,

H_0 = Adding organizational memory accessibility (HRT2) and language difference hindrance (LA1) improves the regression model.

Source	SS	df	ms	Number of obs205	
Model	1.16411083	2	.582055415	F(, 202	=5.87
Residual	20.0261331	202	.099139273	Prob> F	= 0.003
				R-squared	=0.0549
				Adj R-squared	=0.0456
Total	21.1902439	204	.103873745	Root MSE	=.31486

Table 6: Adding organizational memory accessibility (HRT2) and language difference hindrance (LA1)

_ km_2	coef.	Std.Err	t	p>|t	[95% conf.	interval]
LA 1	.1351067	.521724	2.59	0.003	.0322344	.237979
HRT2	.1244164	.0476235	-2.610	0.010	-.2183194	-.0305134
-cons.	12483540.285646	4.47	0.000	.0685124	.1811584	

The results in Table 6 indicate that a model with language differences only has R^2 of 2.3 percent. However, when ‘organizational memory that is accessible to the entire company’ (HRT2) was added to the model, it improved by 5.5 percent. As mentioned earlier, R^2 binary outcome was used as a secondary interpretation. Hence, the coefficient factors were used to explain the effects on the model. Language differences indicated an improvement of 1 unit of 0.135 outcome of effect on the model. Similarly, an improvement 1 unit of 0.124 in HRT results in an increased effect on the model. F- Test was used to make a decision rule thus, the F calculated = 5.87 > F tabulated = 3.9. There was enough evidence that language difference and human resource technology were adequate and the decision rule was not to reject the null hypothesis. That means adding organizational memory accessibility (HRT2) and language difference hindrance (LA1) improves the regression model. It was concluded that the logistic regression model was adequately fit. However, the

model has limitation, since it does not give the criteria of model-fitting in relation to the study area. Hence, further analysis using Model Diagnostic method was carried out to establish the Model Fitting Criteria.

6.3. Model Fitting Criteria

The fourth procedure was to analyze the Model Diagnostic Criteria. In this analysis Akaike Information Criteria (AIC), Bayesian Information Criteria (BIC), the log-likelihood, R^2 -pseudo and chi-squared were used to interpret the findings. The larger the R^2 and chi-squared the better the fitting, in contrast, the smaller the AIC, BIC, the log-likelihood ratio and deviance the better in explaining the criteria fit. First, full model fitting information was presented before the final model. The model was accepted if the final reduced model results had smaller criteria fitting than the full model. The result for the Reduced Model fitting criteria is presented in table 7.

Effect	Model Fitting Criteria			Likelihood Ratio Tests		
	AIC of Reduced Model	BIC of Reduced Model	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intecept	38.192	54.807	28.192 ^a	.000	0	
LA1	43.391	56.683	35.391	7.199	1	.007
ED3	39.758	53.050	31.758	3.566	1	.059
BE1	40.426	53.718	32.426	6.264	1	.040
HRT2	48.174	61.466	40.174	11.982	1	.001

Table 7: Reduced fitting Model.

Note.^a This reduced model is equivalent to the final model because omitting the effect does not increase the degree of freedom. The final model outcome:

AIC=38.192, BIC=54.807, Log-likelihoodratio= 28.192, Chi-square=18.580, Difference of freedom =4, Deviance=6.231, p=0.001.

Table 7. shows the reduced model with significant variables. For 'language differences are a hindrance to effective work performance' (LA1) the reduced fitting of the model was Akaike Information Criteria (AIC) of 38.19, Bayesian Information Criteria (BIC), 54.8, and log-likelihood value was 28.1. The value of chi-square was reasonably large at 7.1. This was confirmed by a significant $p < 0.007$ at significant level 5 percent significance level. 'Education affects coordination of business operation in the organization in the region' (ED3) Akaike Information Criteria was of the value of 39.7. Bayesian Information Criteria (BIC) was marked at value of 53.0, and log -likelihood=31.7. The chi-square statistic was not large at a value of 3.5. Corruption (BE1) fitting in the reduce model was Akaike Information Criteria (AIC) value of 40.4, and Bayesian Information Criteria (BIC) at a value of 53.7. The Log likelihood score value was 32.4, and chi-square was reasonably large at value of 4.2. 'Organization memory accessible to the entire company' (HRT 2) fitting criteria level of value was Akaike Information Criteria (AIC) at 48.1, and Bayesian Information Criteria (BIC) was 61.4. The Log-likelihood scored a value of 0.1 and chi-square was of the value of 11.9.

Further diagnostic analysis was carried out to come up with a final Model Criteria Fitting as specified in Table 7. The value of the final fitting was assessed by evaluating the sizes of the values of the final outcome of the diagnosed model.

Model	PsR ²	AIC	BIC	2 log likelihood	Chi-square	Deviance
Full model	28.3	113.6	116.7	81.6	32.2	60.3
Reduced Model	16.8	38.2	54.8	28.2	18.6	6.2

Table 8: Final Model Fitting Criteria

Note. PsR² (Negelkerke's the Pseudo value)

From Table 8., it is evident the final model results present smaller values than the full model. Final Model Fitting Criteria is defined by small values. The smaller the values the better the model (Power & Xie 1999, Gujarati & Sangeeti, 2010). From the results the reduced model, has the smallest model fit (AIC, BIC, 2-loglikelihood, and the deviance) of (38.2, 54.8 and 28.2) respectively. These are smaller than the model of full model where AIC value was 113.8, BIC= 116.7, chi-square= 81.6 and the Deviance= 60.3. Full model had fifteen variables with R^2 28.3% while the reduced model was 16.8%. It was concluded that the reduced model is the suitable fitting model for the problem at hand. In order to understand the constraints facing the Kenya homegrown firms a framework of a model was built. The rationale was to find out whether the human resource model can be used as a guide in strategy formulation for the SHRM in the EA common market. The results of the final model clearly indicated four main indicators from each objective on the study were highly significant. From these findings a model proposal for SHRM and Knowledge Management in the East Africa common Market was recommended.

7. Discussion and Conclusion

The first task was to investigate the influence of differences in education systems in knowledge management education among Kenya home grown multinational firms. It was clear that differences in education systems factor were a moderately significant factor in influencing knowledge management. This result supports the findings of Nadene *et al.*, (2007); Kamoche *et al.*, (2004); and

Nyambege *et al.*, (2001). In this context, there is an indication that there is preference for training of personnel on matters pertaining cross cultural values to enable in relation to business activities in the region. However, intervening variables were used to give ground truth on investigation and leading information on the probability of the influence of this factor on knowledge management. Preference of change of job designation in ‘choosing an ideal job’ was revealed as an indicator that affected knowledge management in the region. This result was a reflection of the desire to employ personnel of quality education and of high level to meet the demands of business operations in the common market of EAC. This supported the findings of EAC (2005) UNDP (2004) and UNIDO (2007).

The second task was to examine the influence of language differences on knowledge management among Kenya home grown multinational firms. Managers from all the companies sampled indicated that language differences influence knowledge management in East Africa common market. One of the most noteworthy issues was the consistent observation of high significance levels of language differences indicators. They revealed that this factor was a major barrier for investors in the region. It could be argued that the factors have great effects on the management of business knowledge in the reform. This finding supports the observations of international researchers such as (Cao, *et al.*, 2013; Kamoche *et al.*, 2004). Communication breakdown and delays of response to information from the workforce were cited as the main challenge. It is suggested that companies from Kenya should take language differences as factor of concern. For instance, majority of the managers advocated for the use of a common language to ease business transaction in the entire five sister countries.

The third task was to determine the influence of business ethics on knowledge management Kenya home grown multinational firms. Indeed, this factor had mixed reaction evident from the managers’ responses. Corruption, biased employment regulations and stereotyping were ethical values that were violated in the common market. Corruption featured as a major negative ethical value practiced among the sister countries. The findings in EAC (2005) and Bribery Index (2011) on this value reflect this result. Ethical values are a subject of institutional system. The country’s institutional policy on legal issues related to business ethics dictates or overrides the desires of companies. It is imperative therefore for companies to select values that promote the dimension of social capital where personal relationships, degree of trust and networking are enhanced. Similarly, these findings are invaluable in providing a better understanding of the complexity of cultural values in the EAC region. Second, the study will guide in detecting grey areas that require attention in the implementation of institutional policy as described in EAC (2007). This empirical finding supports the institutional theory argument on the forces of social and structural systems in different countries in East Africa.

The fourth task was to establish the influence of human resource technology on knowledge management among Kenya home grown multinational firms. There was evidence that HRT factors had an influence on knowledge management. The most significant indicator was ‘linking of subsidiaries to the headquarters because of lack of proper HRT infrastructure’. It was followed by ‘limitation of accessibility of the organizational memory in companies’. This indicated that most firms did not have effective HRT that supported collaboration amongst the employees. The findings on Model Fitting Criteria showed that an ISHRM model proposal for the emerging market was necessary as advocated by Dowling *et al.*, (2008), Pauleen, and Murphy, (2005) and Paauwe and Boselie, (2003) in the literature of international business. We, therefore, structured a model proposal for the region with an emphasis on Characteristics of EAC.

The knowledge and information gained in this study was based on the voluminous literature review, archived documents from each company and the results from the empirical findings in this research is justified to make the following recommendation. First to the human resource practitioners in policy making and second to personnel managing the interpretation of treaty for the establishment of the East Africa Community (2007) Articles 102 (a, b, e, h, j, k) 104 (d, e, g, h) and 128(c).

The effective strategies, business expansion will depend on the factors influencing knowledge management in each of the five countries of East Africa. Research is necessary on the Human Resource department before recruitment of managers to take up position in their respective subsidiaries. Recommendations made include training and development should be considered as a continuous learning process in career management for young managers. This will reduce the culture of job hopping and results in job satisfaction among the workers. Embracing of social capital factors is important in order to promote trust and teamwork as part of the business model in the region.

This study was based on the Kenyan multinationals perspective doing business in the EA common market. The ‘coordination of business’ activities was noted as a major barrier caused by different systems of education. This will depend on the implementation approaches used in the interpretation of the articles in the treaty for the establishment of the East African Community (2007) Article (102). Hence, harmonization of values promoted by different education systems in the community requires attention as articulated in Article (102 h, and j).

Secondly, the common language was preferred by the sampled companies as a tool that will enable the business community coordinate business with ease. This should be taken as an institutional framework for the East African community. Common language reduces cultural differences and promotes cohesion resulting in the realization of economic integration objectives through the HR. However, the official common language of transacting business is not mentioned in Article (102). This calls for cooperation among the stakeholders as enacted in Article (129) since the harmonization of language, values would serve a purpose of economic strength through strategic HRM in the region. Thirdly, Legal institutions should be harmonized, especially those on labour laws. It will be prudent to have a fair playing ground in regard employment of human resource. Harmonized labour laws will reduce corruption and other unethical values. Corruption and stereotyping are factors of impunity. Taking note of the seriousness of impunity, it would be prudent for all the countries, to ensure proper approaches and channels of harmonized legal systems are created to eradicate these two issues for the establishment of the East African Community (2007) Article (102 and 126,b). Consultative forums by all the stakeholders in the region on these factors can result in the reduction of these behaviours. They include the government, business and

HR associations, research bodies, security institutions and the society. This empirical examination was done from a Kenyan context and further research is recommended from the perspective of the four sister countries of East African Community. In addition, it acts as a base for future research on challenges facing SHRM in developing integrated economies of Africa.

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