Testing the Mediating Effect of Knowledge Management

Mediation analyses can be performed with either multiple regression or SEM. The logic of analyses is the same in both cases. In general SEM is preferred method (Baron & Kenny, 1986; Hoyle & Smith, 1994; Judd & Kenny, 1981). Preacher and Hayes (2004) the bootstrapping method provides an advantage to the Sobel's test since it increases power. The Preacher and Hayes Bootstrapping method is a non-parametric test. As such, the bootstrap method does not violate assumptions of normality and is therefore recommended for small sample sizes.

Hypothesis 4 (h_{o4}): stated that there is no significant mediating effect of absorptive capacity on the relationship between social capital and firm competitive advantage.

Table 4 below shows that the direct total effect of testing the mediating effect of social capital and firm competitive advantage. The output provides the significance tests of part "c" which tests the effect of social capital on firm competitiveness. The study findings reveled that entrepreneurial orientation had coefficients of estimate which was significant basing on β_1 = 0.482 (p-value = 0.00034 which was less than α = 0.05).

The test of path "a" was social capital to absorptive capacity and the study finding indicated thatsocial capitalhad a significant effect on absorptive capacity (p =0.000 which is less than α = 0.05). While path "b" was testing the effect of absorptive capacity onfirm competitive advantage which was also found to be significant at (p= 0.000 which is less than α = 0.05).

Finally path "c''"tested the effect of social capital on firm competitiveness, controlling for absorptive capacity so as to test the indirect effect. The finding revealed that the effect was significant at p = 0.000which is less than α = 0.05. Therefore the model met all the criteria for mediation according to Baron and Kenny (1986). Hence we conclude there is partial mediation of absorptive capacity since part "c'" was found to be significant.

Table 4 Direct and Total Effects

	Coeff	s.e	t	Sig(two)
C (YX)	0.0877	0.0297	2.9577	0.0034*
a (MX)	0.3600	0.0603	5.9662	0.0000*
b (YM.X)	0.1570	0.0124	12.7428	0.0000*
c' (YX.M)	-0.7106	0.0131	-54.3914	0.0000*

Notes: *Significant at p<0.05,Sample size=272, Y= firm competitive advantage, X= social capital, M= absorptive capacity

Source: (Survey Data, 2018)

The result in table 5 below shows the test of the indirect effect in a normal distribution using the Sobel test. The test was done because it is preferred to Baron and Kenny (1986) method. The results of table 5 were obtained using Baron and Kenny (1986) method which has been considered conservative because of its low power (MacKinnon, Warsi, & Dwyer, 1995).

Table 5 Indirect Effect and Significance Using Normal Distribution

	Value	s.e.	LL95CI	UL95CI	Z	Sig(two)
Effect	0.5652	0.0948	0.3793	0.7510	5.9594	0.0000**

Source: (Survey Data, 2018)

The findings from table 4shows the coefficients of path a = 0.3600 and path b =1.5700, while the coefficients of the indirect effect = 0.5652, which was significant using the Sobel test (p<0.05). Boost trapping was performed further to determine the mediating effect and the results are presented in Table 6 below:

Table 6 Bootstrap Results for Indirect effect

	Data	Mean CI	s.e.	LL99	LL95CI	UL95CI	UL99CI
Effect	0.5652	0.5587*	0.0835	0.3256	0.3914	0.7142	0.7649

Note: LL =Lower Limit (or the lower boundary) and UL = Upper Limit (or upper boundary) of the Confidence interval, Number of bootstrap resamples 5000,*significant at p<0.05

Source: (Survey Data, 2018)

Table 6 output provides the bootstrapped confidence intervals at 99 and 95 percentiles are calculated but we only look at the 95% confident level. Here we are looking to see if ZERO (0) lies within the interval range of the Confidence interval. Essentially we are asking whether it is possible (with 95% confidence). If the indirect effect is equal to zero there would be no mediation. The findings show an indirect effect at 95% that ranged from 0.3914 to 0.7142.

The estimated effect was 0.5587, which waslying in between the interval range and hence zero does not occur between the lower limit and the upper limit. The study conclude that the indirect effect is significant, hence mediation exists and therefore we reject Hypothesis (H_{o4i}) that stated there is no significant mediating effect of absorptive capacity on the relationship between social capital and firm competitive advantage.

Discussions and Conclusions

This paper focused on three key issues: First is whether social capital and Absorptive Capacityaffectsfirms' competitive advantage. Using employees of selected commercial banks in Kenya, we found support for the proposition that social capital and Absorptive Capacityhad significant effect on firm competitive advantage. Consistent with previous results, knowledge acquisition has a statistical significant relationship with firm competitive advantage. This finding is similar to the result obtained by Russel (2003).

The study findings also revealed that absorptive capacity was positively associated to firm competitive advantage. This finding is similar to the results obtained in previous studies such as Kim, (2007), and Luthans & Youssef, (2004). Thus, effective utilization of resources or better still tangible/intangible assets and intangible capabilities will result to a better competitive advantage and hence performance.

The results of the study further showed that Social Capital has positive and significant effect on Absorptive Capacity. This means the higher/positive the Social Capital the higher/Positive Absorptive Capacity. The findings in this study are in line with previous research results from Chuang *et al*. (2016), Aribi & Dupouet (2015) and Hughes *et al*. (2014). The findings are in line with previous research because finance company actively interacts with partners in carrying out their daily business activities. This is consistent with Chuang *et al.* (2016) suggesting that companies should strengthen relationships within the business network to facilitate knowledge exchange.

Given the increasingly critical role of absorptive capacity in connection with firm competitiveness in today's dynamic market place, this study has contributed to the current body of knowledge in competitive advantage by combining social capital theory and the Resource based view theory blended with knowledge and dynamic capability approaches to develop an integrative theoretical model of management capability-based Competitive advantage of the firm.

Limitations

The primary purpose of the study was to investigate the relationship between social capital and firm competitive advantage and testing the mediating effect of absorptive capacity among commercial banks listed in Nakuru County, Kenya. It is important to appreciate the study limitations. First, we focused on a single industry.Although this is one way of controlling for industry effects, the results may not berepresentative of other sectors and so we need to interpret the results with caution.Second, the sample size used is relatively small and so future research using differentsectors and larger samples may provide additional insights and add to the understanding ofissues explored in the study. Finally it may also be fascinating to examine social capital dimensions and to tie them to firm competitive advantage including both financial and cycle time performance implications in a multi-sector approach.

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