RELATIONSHIP BETWEEN SUSTAINABILITY REPORTING AND COMPETITIVE ADVANTAGE OF FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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DECLARATION

I, the undersigned hereby affirm that this research proposal is my original work and has not been previously presented in part or in totality to any other institution of learning for the award of any degree or examination.

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DEDICATION

I dedicate this research project to my family for the support they offered me to accomplish it.

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ABBREVIATIONS

BOD	Board of Directors
CER	Corporate Environmental Reporting
CMA	Capital Markets Authority
CSR	Corporate Social Responsibility
NASI	Nairobi Security Exchange All Share Index
NSE	Nairobi Securities Exchange
ROA	Return on Assets
ROE	Return on Equity
SDGs	Sustainable Development Goals
SPSS	Statistical Package for the Social Sciences
SR	Sustainability Reporting
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
ICPAK	Institute of Certified Public Accountants of Kenya
SD	Standard Deviation

ABSTRACT

Sustainability reporting is a method of interrogating an organization's commitment to sustainable development in a way that can be demonstrated to stakeholders by reporting both financial and non-financial data. In today's age, firms should take accountability for and disclose impacts of their operations on the overall society and environment in which they exist. Organizations have increasingly embraced sustainability reporting. In the last five years, different companies have been issuing profit warnings in Nairobi Stock Exchange highlighting poor performance. The general objective of the study was to determine the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange. This study was anchored on Stakeholder theory and Legitimacy theory. The study used descriptive cross-sectional survey. The population target for this study was the entire 63 firms at the Nairobi Securities Exchange. Study was based on primary data that was collected through online questionnaire. The study used multiple regression method. It was found out that economic, social and environmental factors influence sustainable reporting at moderate extent. The findings established the existence of a strong positive correlation between sustainable reporting and competitive advantage. The study concludes that the number of companies who issue sustainability reports has significantly increased during the last decade. Various researches have been conducted over the last decade for examining the linkage between sustainability reporting and corporate financial performance.The study recommends that through stakeholder engagement, companies can conduct a preliminary dialogue process with the stakeholders so that they may be able to identify closely just who its stakeholders are.The research also recommends that professional and regulatory bodies need to provide guidelines that help companies to prepare and publish timely, readily accessible and reliable environmental information to satisfy the interests of stakeholders.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the 21st century, many businesses have realized that sustainability and responsibility have become critical factors to stable economies and sustainable growth. According to Friedman (2015), many businesses have realized that sustainability and responsibility are critical factors of stable economies and sustainable growth. Due to significant problems such as global warming, decrease in bio-diversity, rapid depletion of natural resources and pollution, poverty and violation of human rights, it is crucial for firms to prepare business reports with long term socio-economic and environmental aspects that will contribute to sustainable development besides financial reports.The reports with both financial and non-financial data of businesses together which emerge in order to meet this requirement could be stated as sustainability reports (Yükçü & Kaplanoğlu, 2016). Venanzi (2012) asserted that there is a strong relationship between sustainable reporting and competitive advantage. Contrarily, Adams , Aybars and Kutlu, (2015) argued that there was a weak significance of relationship between sustainable reporting and competitive advantage.

The research was anchored on Stakeholders' theory and Legitimacy theory. Stakeholders' theory allows the business owners to observe the framework and structures put in place towards achievement of the organizations' goals and objectives based on the missions and visions (Freeman, 1984). In addition, stakeholder's theory helps the management in ensuring success of organizations and it depends on how they utilize their wealth adequately (De Villiers & Van Staden, 2011). Legitimacy theory posts that organizations are expected to act in a socially acceptable manner to access resources, gain approval of their goals and place in the society, and

guarantee continued existence (Guthrie & Parker, 1989). In case of a disparity among the two systems, there was a challenge to the entity's legitimacy. It is a resource that society is dependent upon for its ensured survival (Pfeffer, 1975).

Publicly quoted companies operate in a challenging business environment. Some of the challenges are difficult economic conditions, enlightened and demanding customers, lack of competent experts in financial markets and cut throat competition (Massele, Jonathan, Darroux, & Fengju 2015). Just like any publicly quoted company, those quoted on the Nairobi Securities Exchange (NSE) are not an exception. Therefore, these organizations require maintaining extraordinary performance in their business transactions to be able to meet the expectations of their stakeholders which is critical for their survival. Therefore, these companies need to consider having a well developed management policy that is in line with a firm strategy (Masoud, 2013). In reference to firms listed at NSE, research have shown that they are practicing environmental reporting on a limited scale with mostly social issues such as education, health and philanthropy being given much attention (Kalunda, 2012). This low level of environmental reporting by listed firms poses a question on certainty of their going concern because of their inability to adequately meet their environmental demands.

1.1.1 Sustainability Reporting

According to the International Institute of Sustainable Development (IISD), the concept of Sustainability Reporting has evolved since 1980s when the first environmental report appeared. It is sometimes also referred to as Corporate Responsibility Reporting (CRR) or Triple Bottom Line (TBL) Reporting. Sustainability reporting is a method to internalize and improve an organizations commitment to sustainable development in a way that can be demonstrated to

both internal and external stakeholders. (Epstein et al., 2009). Various organizations around the world define sustainability differently (Elliot, 2013), however the most frequently quoted definition is from the World Commission on Environment and Development (WCED, 1987): sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainable development is not brought about by policies only, it must be taken up by society at large as a principle guiding the many choices each citizen makes every day, as well as the big political and economic decisions. Sustainability reporting has been acquiring increasing importance among corporations and their stakeholders around the world (International Integrated Reporting Committee, 2011). Also, in the higher education sector, reporting for sustainability is an increasingly important issue (Walton, Richardson and Harrison 2015). Attention towards sustainability reporting is very high in Europe and America, but also in developing countries (United Nations Environment Program – UNEP, 2017; United Nations, 2017). In recognition of the wide variety of material that appears in corporate sustainability reports, there have been a number of studies focusing on sustainability reporting practices, including the content, scope and structure of the reports (Beloe et al., 2006; Manetti, 2011; Slater, 2008; Stakeholder Research Associates Canada, United Nations Environment Programme and Accountability, 2015). The role of education in promoting sustainability has been emphasized by international environmental education declarations, such as the Belgrade Charter (UNESCO-UNEP, 2015) and the Tbilisi Declaration (UNESCO-UNEP, 2016).

Sustainability reports consists of three aspects which are environmental disclosure, social disclosure and economic disclosure. The sustainability approach requires including these three aspects in business strategies and reporting about their performance. (Akarçay, 2014).

One of the benefits of environmental disclosure is that companies get more environmentally aware about the effect of their business activities and their position in the environment, as they want to report positive environmental news. Social responsibility practices influence the growth and streamlining of companies, in terms of both operational performance (by increasing sales) and increased market value, as well as by reducing the risk of litigation resolution. Lastly, profit or the fiscal or economic successes are not limited or unattainable by the pursuit of the other two values. It is a report to stakeholders on the strategy, performance, and activities of the organization in a manner that allows stakeholders to assess the ability of the organization to create and sustain value over the short, medium and long term (Mc Fie, 2014).

1.1.2 Competitive Advantage

Competitive advantages is defined as the state that enables a firm or a country to generate services or goods at an affordable price and one that meets the preferences and desires of the customers (Wagner, 2014). Through this, a productive entity can outshine its competitors by making more sales and attaining superior margins. A firm's competitive advantage is associated with many factors that include the customer support, intellectual property, cost structure, distribution network, quality, and brand. According to Meihami, and Meihami (2014), organizations that have a sustainable competitive advantage consistently produce products or services that carry the qualities that match the major buying criteria for most of the consumers in the market. It involves achieving superior performance and economic value over a prolonged period in the market. Moreover, it entails continual adjustment to environmental changes and ability to withstand all efforts to replicate a firm's advantages by its competitors. Many scholars have concluded that some forms of competitive advantage cannot be easily imitated which enables the firm to reap long-lasting

benefits. This perception has contributed to the growth of the competitive advantage concept from resource based perspective and the industrial organizations (IO) in the previous years which led to the advancement of the sustained competitive advantage (SCA). Therefore, competitive advantage is said to constitute two elements; the first is, the above average performance notion, as a relational measure within an industry and the second is the durability notion. Even though an industry's above average performance can be measured justifiably as the returns in comparison to the average of the industry, the notion of durability is not clear.

Click and Duening (2005) observed that the main indicators of competitive advantage are brought around in terms of costs of physical assets. Porter (1996) stated that competitive advantage essentially focuses on three aspects namely, differentiation advantage, low costs and focus strategy. Porter further highlighted that competitive forces can be addressed based on threat of substitutes, powerful customers, threat of new entrants and rivalry as well as powerful suppliers.

In 2014, Barney and Hesterly opined that two categories of organizational competitiveness exist, namely temporary and sustainable competitiveness. According to the researchers, when an organization attains competitive advantage it generally results to improved profits, however, these profits attract further competition that may limit the length of period the organization enjoys the competitive advantage hence mostly competitive advantage is temporary.On the other hand, some organizational competitiveness is sustainable if competitors are not able to imitate the source of advantage or if none of its peers births a better offering to the clients. Different researchers have argued out on the various aspects relating to organizational competitiveness.

1.1.3 Firms Listed at the Nairobi Securities Exchange

The NSE was constituted as a voluntary brokers' organization in 1954, it is registered under the Societies Act. It was not until 1988 that NSE was privatized. In 2006, the NSE implemented Automated Trading System (ATS) to enable live trading based on first come first served. This system was also linked to the Central Depository System (CDS) and the Central Bank of Kenya to facilitate trading in Government bonds. Since then, it has undergone various changes and innovations, including the abolishment of the aggregate foreign ownership cap of the NSE listed companies in 2015. The state regulatory body Capital Markets Authority (CMA), is mandated with licensing and regulating the Nairobi Securities Exchange. Public listings and offers of securities issued and traded at the NSE are also approved by the CMA (NSE, 2019). There are presently 63 companies registered at the NSE in the various segments among them financial and services, commercial and services, manufacturing, telecommunications, agriculture among others. The Nairobi Securitities Exchange gives a well-balanced, flourishing and a state-of-the-art environment for the buying or selling of bonds and equities as well as a friendly environment for both the international as well as the local investors who are eager to gain the experience of trading in the East Africa Market. The Nairobi Securities Exchange assists to properly use the savings gained locally hence allowing the redistribution of financial resources based on activeness of the agents and thus it has become the Centre of attraction for studies (Mukanzi, Mukanzi & Maniagi, 2016).

NSE is constantly on the growth and hence has increased the services it offers from just providence of capital investment to many other functions such as improving the relations between the member firms (Ngugi, 2017). From the past studies, NSE has recorded both improvements and decline in the share index for instance, in 2012 Kshs 173.6 billion was the average annual index and this was

a rise by 11% as compared to the annual index observed in 2011. In the next year which was 2013, there was recorded a decrease of 8% in the annual averaged index to an estimated Kshs 159.7 billion. In the 2014 financial year, an increase was recorded from the previous year as the volume traded rose by 17% to Kshs. 186.7 billion (Mukanzi, Mukanzi & Maniagi, 2016). The Nairobi Securities Exchange All Share Index (NASI) recorded and increased total returns from 2008-2015 while they held the prices and the dividends was invested back to the index. But NASI got a reduced total return from January 2015-December 2015 (NSE, 2017).

Sustainability reporting is a method of interrogating an organization's commitment to sustainable development in a way that can be demonstrated to stakeholders by reporting both financial and non-financial data.In today's age, firms should take accountability for and disclose impacts of their operations on the overall society and environment in which they exist. Organizations have increasingly embraced sustainability reporting. According to Global Reporting Initiative (2011), thousands of organizations worldwide now produce sustainability reports. KPMG International Survey of 2018 which covers 34 countries including Kenya shows that 95 percent of the 250 largest global companies now report on their corporate responsibility activities. Businesses focus on increasing their stock value for a long period, making sales with the minimum costs and maximum market prices, therefore, reaching the highest profit. However, they are reluctant to use the technologies to control the industrial pollution and ignored the harms to the nature. The demands of the customers about the sustainable development made the businesses consider the social and environmental results of their activities besides the economic activities.

In the last five years, different companies have been issuing profit warnings in Nairobi Stock Exchange highlighting poor performance. In the year 2015, 11 companies listed in NSE issued

profit warnings. In the year 2018, the number of companies whose profits decreased by more than 25% in Nairobi Securities Exchange increased to 18, from 11 in the year 2014. Although sustainable reporting disclosure by companies has become an increasing expectation for shareholders and regulators alike, sustainable reporting in Kenya is still low, lacking in completeness, uniformity and reliability (Kalunda, 2012); and of low quality (Wang'ombe, 2013). SR in Kenya is largely voluntary, but there have been some efforts to encourage adoption of SR by Kenyan companies. Sustainable reporting varies among firms and among the reporting media, and metrics to determine its link to competitive advantage are still not clear (Arnold, 2008).

Kalunda, (2012) asserted that environmental reporting index by listed firms at the NSE is very low just like in any other emerging economy lacking in completeness, uniformity and reliability and of low quality (Wang'ombe, 2013). SR in Kenya is largely voluntary, but there have been some efforts to encourage adoption of SR by Kenyan companies. Sustainable reporting varies among firms and among the reporting media, and metrics to determine its link to competitive advantage are still not clear (Arnold, 2008). The environmental reporting index in Kenya is determined by profitability, financial leverage, firm size, ownership structure and industry type.

Several studies have been done on sustainable reporting and competitive advantage locally and internationally. Internationally, Richardson and Welker (2001) found evidence of a positive link between economic resources disclosure and competitive advantage. It was concluded that sustainable reporting is an important factor for most firms to remain competitive. Adam et al., (2012) asserted that sustainability disclosures have no significant impact on firm performance in short-term, while the effect may be positive in long-term due to reputational benefits. Olayinka and Temitope (2011) who empirically examined the relationship between sustainability reporting and financial performance in Nigeria and found out that sustainable reporting has a positive and

significant relationship with the financial performance measures. Munasinghe and Kumara (2013) ascertained the relationship between sustainability reporting and financial performance to see what motivates firms to voluntary initiate sustainability reporting. Using Spearman's rank-order correlation they found out that Return on Equity and Return on Assets were positively correlated and significant.

Locally, Makori and Jagongo (2013) investigated into whether there is any significant relationship between environmental accounting and profitability of selected firms listed in India. They found that there is significant negative relationship between Environmental Accounting and Return on Capital Employed (ROCE) and Earnings per Share (EPS) and a significant positive relationship between Environmental Accounting and Net Profit Margin and Dividend per Share. On the other hand, Freedman and Jaggi (2012) investigated the relationship between the financial performance and social disclosures. For their social disclosure variables, the employee engagement and employee relations indices, they gave the different social issues different weights in the index, which did not significantly give a different outcome than equal weight to all the items. Similarly, Ngatia (2014) examined sustainability reporting and financial performance of selected companies listed at the Nairobi securities exchange in Kenya. It was asserted that social disclosure had the greatest effect on financial performance of companies followed by uniqueness of resources and proficiency disclosure while environment conservation disclosure had the least effect.

Nixon, Hellen and Kennedy (2014) did a study on Sustainable reporting and rapid growth of local banks in Nairobi County- The study revealed that 11.0% of banks sustained growth can be attributed to investment in Sustainable reporting activities.

Lastly, Kraft and Hage (2010) asserted no significant correlation between economic disclosure and the company's profit goals. However, significant correlation was found between the economic disclosure and the financial performance in previous years. This evidence suggests a previous performance causes height of community service relationship.

Clearly, many studies have focused on banks and other sectors, which operate under different business environments and hence the findings cannot be generalized. The local studies focused on aspects other than how sustainable reporting impacts competitive advantage of the firm. Therefore there exists a knowledge gap which this study seeks to fill. There is limited literature concerning the direct association between sustainable reporting and competitive advantage within the listed firms at the Nairobi Securities Exchange. This study will therefore address the following research question. What is the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange, Kenya?

1.3 Research Objective

The objective of the study was to determine the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange.

1.4 Value of the Study

The findings of this study will help company management, shareholders, potential investors, and stakeholders understand the association between sustainable reporting vis-à-vis the profitability of a firm. Private sector actors have an inherent interest in seeing sustainable development succeed as their ability to prosper and grow depends on the existence of a prosperous and

sustainable society. Understanding the value of sustainability would enable Kenyan businesses to better internalize their externalities, incrementally leading to less water and air pollution.

The government of Kenya will be a beneficiary of this study. This study measured the sustainable reporting index of listed firms in Kenya and the results obtained will enable the government to know the level of environmental, social and economic disclosure in the country. This will guide on development of policies relating to sustainable development goals that will provide incentives to companies that embraces sustainability reporting through full sustainable reporting disclosure.

Finally, the study also seeks to contribute to the body of knowledge by providing a platform upon which further studies on sustainable reporting can be done, while equally providing other researchers with a basis for citation and formulating their own research gaps as they conduct their studies in the future. Similarly, this study will help in facilitating theory testing.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature covers the key theories underpinning the study and the empirical studies carried out in the area of sustainable reporting. The chapter will expound on the research gaps that exists on the relationship between sustainable reporting and competitive advantage.

2.2 Theoretical Framework

This study was based on two theories namely, Stakeholder theory and Legitimacy Theory.

2.2.1 Stakeholder Theory

According to Freeman (1984), a company should be managed taking into consideration the interests and relationships of all its stakeholders. This theory considers a wider constituent rather than focusing on shareholders. Proponents of this theory have therefore advocated for ethics in business to discourage practices aimed at shareholder value maximization at the expense of other stakeholders. Such practices could include unfair trade competition, company downsizing and other negative impacts on employees, environment and local communities. Based on its descriptive accuracy, normative validity and instrumental power, proponents of this theory have used this to advance it and also justify it in the management literature (Gompers and Metrick 2003). While the interrelation between the above aspects of the theory is important, they are at the same time unique on their own with dissimilar evidence and argument types, hence impacting differently.

On the basis of the above foregoings, a conclusion is drawn that the aspects of the stakeholder assumptions are equally supportive and fundamental, based on presumptions of the theory, it's increasingly becoming a requirement for boards to create corporate codes of ethics, social and environmental reporting. All these are aimed at ensuring that directors acknowledge the wider corporate obligations beyond maximising shareholder value or that such objective is attained within certain ethical constraints.

2.2.2 Legitimacy Theory

It was developed by Dowling and Pfeffer (1975) based on an organizational legitimacy which is a situation which exists whenever the value system of an entity is congruent with that of the larger social system. In case of a disparity among the two systems, there was a challenge to the entity's legitimacy. It is a resource that society is dependent upon for its ensured survival (Pfeffer, 1975). According to Gray, Kouhy and Lavers (1995), it has an advantage compared to other theories because it brings out various ways in which strategies on disclosures that firms can adopt to legitimize their existence that may be empirically tested. Campbell, Craven and Shrives (2003) investigated the extent to which the legitimacy gap is closed by voluntary disclosures. They argued that disclosures can limit the perception of society regarding companies considered to be illegitimate.

Dowling and Pfeffer (1975) ascertained that giving information to the public about any changes in their behavior, changing public perceptions about the organization without changing their behavior, manipulating perceptions through deflection of attention from an issue of concern to another issue and by changing the societal expectations about their behavior are the four strategies of improving their legitimacy. Despite the many efforts of legitimacy in maintaining

good company image, Mathews (1993) argued that it may face periods of crisis because it is not a constant concept due to varied opinions from the society and their varied levels of dependence on the society. Neu,Yükçü and Kaplanoğlu, (1998) stated that companies try to manage their legitimacy because it ensures the flow of capital resources, human resources and enlarges the consumer base which is essential for company survival. It also goes a long way to pre-empt regulatory barriers in the absence of legitimacy.

This study was informed by Legitimacy theory as a result of the fact that companies that find themselves in a legitimacy gap are forced to engage themselves on more positive environmental and social reporting so that its going concern is not threatened. Furthermore,. this theory drives those firms that are not in breach of their environmental contract to regularly disclose their sustainability reports for the good of their legitimacy

2.3 Empirical Studies and Research Gaps

Fernandez (2013) studied on correlation between corporate environmental reporting and financial performance of firms listed in the manufacturing, construction and allied sector at the NSE in Kenya. Although the statistical test showed a positive correlation, the association was insignificant. Similarly, Shad, (2012) did a study on the effect of corporate environmental reporting on the financial performance of the Kenyan commercial banks between 2007 and 2011. In his conclusion, he stated that CER activities had a positive influence on ROA and ROE of large and medium-sized commercial banks. Kipruto (2013) examined the effect of sustainable reporting on monetary progress of commercial banks in Kenya and it was found that performance was gauged by the use of profits before taxes extracted from reviewed accounts of income.

Ching and Venanzi,(2015) examined the relationship between the quality of sustainability reporting and financial performance. Their findings show that there is no association between the quality of sustainability reporting and financial performance. Increasing the quality of sustainability disclosure over time does not indicate an improvement in financial performance. On the other hand, Loh, Thomas, Wang, (2017) examined and found that firms with sustainability reporting have higher firm values than firms that do not present sustainability reporting. In addition, the quality of sustainability reporting also has an impact on firm value. Aras, Aybars and Kutlu, (2010) conducted a study on the impact of corporate social responsibility on the profitability of Nigerian banks, using a model based on the association between CSR and the financial performance of banks over a ten year period. The findings indicated a positive relationship between CSR and financial performance as measured by profits after tax.

According to Seidu (2014), his studies asserted that the concept of sustainable reporting over the past years has developed in its worth. There has been wide ranging conversations from researchers and development professionals who view SR as an area with the capability of lowering poverty levels and improving sustainable development in Africa. This study investigated how responsible businesses are practiced by foreign Short and Medium Enterprises in the Kenyan agribusiness and how their operations spur development here in Kenya. The research findings showed that foreign entrepreneurs are involved in decent trade operations in diverse ways and they have a substantial influence in local business growth in the environment where they operate. These decent trade routines were modelled around the employee's welfare, local community participation, protecting the environment and customer and suppliers relationship with the company.

A local study was done which provides an examination of the connection amongst financial investment in Sustainable reporting and rapid growth of local banks in Nairobi County-Kenya

(Nixon, Hellen and Kennedy 2014). The study revealed that 11.0% of banks sustained growth can be attributed to investment in Sustainable reporting activities. This reveals that there exists a positive connection between investment in sustainable reporting and banks increased growth. It was apparent from the study that the banks owners can invest in Sustainable reporting activities to create grounds for improving the brand and social insurance. Cavazotte, Chang (2016) found out that the connection between sustainable reporting and the monetary advancement of organizations has brought about impressive outcomes. Businesses in diverse fields can promote divergent results, in this analysis the focus was on internal corporate social responsibility (CSR) meaning investing on workers. The rationale of this study was to find out if expenditure on CSR affects company success.

A survey conducted by Oyelude and Alabi (2013) revealed the need to sensitize librarians on green initiatives in libraries, so that information professionals can as well conform to the global trend in promoting a sustainable environment. Raising the level of environmental awareness and greening initiatives among information professionals, will make it easier for them to become environmental literacy specialists and consequently conform to their new role of educating library clients on environmental sustainability. Keffas and Freeman (2011) on his investigation of CSR in a selected sample of banks in the United Kingdom, showed that banks which practiced CSR activities showed better asset quality, capital adequacy and better efficiency in management of their asset portfolios and this contributed to significant growth in their performance. Ghelli (2013) studied corporate social responsibility in the manufacturing sector and found out that the relationship was positively linked while a comparative study was undertaken in the retail industry and this study showed that in some cases it was negative and in others it was neutral. His conclusions were the analysis of CSR on different sectors of the industries yielded different results.

Friedman, (2015) did a study on the correlation between CSR and corporate financial performance for listed companies in China. Their empirical research came to the conclusion that there was a negative correlation between CSR and Corporate financial performance.

Ngatia (2014) examined sustainability reporting and financial performance of selected companies listed at the Nairobi securities exchange in Kenya. It was asserted that social disclosure had the greatest effect on financial performance of companies followed by uniqueness of resources and proficiency disclosure while environment conservation disclosure had the least effect.

Ochieng (2011) studied the strategic alliances adopted by Safaricom Ltd, and competitive advantage it gained. Applying content analysis, the study finds that Safaricom preferred having equity alliances to joint venture alliances. As a result of having strategic alliance with various partners, Safaricom gained competitive advantage.

Karioja (2013) carried out a study to investigate how libraries have integrated sustainability practices in their operations to improve environmental sustainability in these facilities. This study indicates that, to increase environmental awareness, library staff needs to develop structures for change geared towards environmental sustainability or else libraries cannot function as green mentors and educators. Libraries need to put structures in place that could be used worldwide to increase environmental awareness in libraries for information professionals, library patrons and policy makers.

Empirical studies reviewed mostly focused on banks and other sectors, which operate under different business environments and hence the findings cannot be generalized. Different studies conducted on sustainable reporting used and the challenges they face have used a case study

research design while others have used quantitative research, which is different from the approach in this study. The local studies focused on aspects other than how sustainable reporting impacts competitive advantage of the firm. Therefore there exists a knowledge gap which this study seeks to fill.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section looks at the type of research methodology that will be utilized to carry out the study. It centers on the research design, population, data collection, techniques for the data analysis and analytical models that will be utilized as a part of this study.

3.2 Research Design

As explained by Brymanand Bell (2003), a cross sectional research design is concerned with determining the relationship between variables and also frequency with which something occurs. It also involves data to be collected on numerous cases and not just one, at a particular point and time. A cross sectional study approach was deemed suitable for this because the study's intention was to gather comprehensive information using descriptions and use in identifying variables. The foregoing study adopted cross sectional survey design. Sekaran and Bougie (2010) observed that a cross sectional survey enables a researcher gain information describing a phenomena. This Information is gained by asking questions relating to phenomena's perceptions and attitudes.

3.3 Population of the Study

Population, according to Sekaran and Bougie (2010), refers to the entire group of individuals or firms to be investigated by the researcher. The population target for this study was the entire 63 firms at the Nairobi Securities Exchange (as at 2019) categorised in eleven segments. The study adopted census survey. The NSE listed firms were selected for this study because, these companies

are believed to make improved disclosures because of their investor orientation, data is readily available to the public and generally deemed credible and lastly, these companies are expected to make non financial disclores because of stakeholders' expectations.

3.4 Data Collection

This study used primary data. Primary data was collected by use of a questionnaire which was fully structured.. It had three parts; the first section held the demographic dataof the respondents while the second part gave the sustainable reporting, and third part was on competitive advantage. The research used one questionnaire per firm. The researcher collected information online from the various listed companies at Nairobi Securities Exchange by use of google forms. The target respondents were directors, chief executives, company secretaries, managers and any persons who hold positions that allow them to participate in sustainable reporting and making strategic decisions in the companies.

3.5 Data Analysis

The data collected through questionnaires was checked for accuracy and completeness. It was edited, classified and tabulated before carrying out descriptive analysis. Descriptive analysis focus on working out measures of central tendency and dispersion measures. The researcher calculated the mean for the data in order to rank factors that a firm considers in choosing the strategies to be adopted. Standard deviation is the most widely used measure of dispersion. It is used to measure the amount of variation of a set data of values. In this study, standard deviation was used to establish the variation of a particular firm's data from the industry average. The results of this analysis was presented using tables and charts. In order to perform all these analysis,

the Statistical Package for Social Sciences (SPSS) software was utilized.The study used multiple linear regression model as shown below:

$Y = \beta 0+\beta_1 X_1+\beta_2 X_2+\beta_3 X_3 +\varepsilon$

Where: Y=Competitive Advantage

β_0 is the model 's constant

$X_{1=}$ Economic

X_2=Social

X_3=Environmental

ε =Error Term

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This section contains an analysis of data used and deliberates research results on the relationship between sustainability reporting and competitive advantage.

4.2 Reliability Statistics

The test-retest method of estimating the dependability of the instrument was utilized and a co-efficient value 0.8 was obtained which was an indicator that the instrument was reliable as shown in Table 4.1.

Table 4.1: Reliability Statistics

Variables	Cronbach's Alpha	Number of Items	Remark
Economic factors	.873	5	Reliable
Social factors	.894	5	Reliable
Environmental factors	.879	5	Reliable

As presented in Table 4.1, environmental factors had an alpha value of 0.879, economic factor had an alpha value of 0.873 while social factor had an alpha value of 0.894. This illustrated that all the three variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Kothari, 2004). This, therefore, depicted that the research instrument were reliable and therefore required no amendments.

4.3 Response Rate

The response rate of the study was 71.42% as 45 out of 63 questionnaires were completed successfully and returned for data analysis. The results agree with Mugenda and Mugenda (2013) affirmation showing rates greater than 50% is satisfactory in the analysis. Babbie (2010) also claims that a 60% return rate is decent and a 70% return rate as excellent. Findings were adequate to analyze the data. This is a sufficient response rate and therefore the researcher proceeded with the data analysis.

4.4 General Information

This section is concerned with the general information of both the firm and the respondent. The information helps in understanding the background of the organization under review. It sought details on the name of the firm, number of employees in the organization, the sector of the firm, year of establishment, how long it has been listed in NSE, asset base of the company and number of employees in the organization.

4.4.1 Sector of the Firm

Participants were able to give information about the sector in which the firm is as shown in Table 4.2.

Table 4.2: Sector of the firm

Sector of the firm	Frequency	Percent
Agriculture	4	8.8
Banking	11	24
Telecommunication	1	2
Manufacturing & Allied	6	13

Insurance	4	9
Commercial & Services	10	22
Energy & Petroleum	3	7
Construction & Allied	3	7
Investment	3	7
Total	**45**	**100.0**

Source: Research Data, 2020

From Table 4.2, most of the firms are in the banking sector at 24%, followed by Commercial and Services at 22%, Manufacturing & Allied at 13%, Insurance at 9% and Energy & Petroleum, Construction and Energy sectors each at 7 %. Telecommunications only has one firm. This implies that most of the firms listed in NSE are banks.

4.4.2 Number of Employees

The study sought to establish the number of employees in the firms. The respondents were requested to indicate the number of staff in the firm. The outcome of the analysis of the responses is as shown in Table 4.3

Table 4.3: Number of Employees

Employees	Frequency	Percentage
100-200	1	2
201-500	4	9
501-1000	12	27
1001-1500	10	22
Over 1500	18	40
Total	**45**	**100.0**

Source: Research Data, 2020

The results from Table 4.3, indicates that majority of the firms had over 1500 employees at 40%, followed by 500-1000 employees at 27%,1001-1500 at 22% and 201-500 at 9% and lastly 100-200 at 2%.

4.4.3 Years Listed at Nairobi Securities Exchange

The study sought to establish the number of years the firms have been listed at Nairobi Securities Exchange. The outcome of the analysis of the responses is as shown in table 4.4.

Table 4.4: Years Listed in Nairobi Securities Exchange

Years	Frequency	Percentage
Up to 5 years	2	4
6-10 years	5	11
11-15 years	18	40
16-20 years	17	38
Over 20 years	3	7
Total	**45**	**100.0**

Source: Research Data, 2020

The results from Table 4.4 indicates that majority of the firms have been listed in NSE between 11-15 years at 40%,16-20 years at 38%, 5-10 years at 11%, over 20 years at 7% and up to 5 years at 4%. This implies that most firms listed in NSE more than 10 years are doing very well in terms of the market share index.

4.4.4 Asset Base of the Company

The study sought to establish the asset base of the firms. The respondents were requested to indicate the asset base of the firm. The outcome of the analysis of the responses is as shown in Table 4.5

Table 4.5: Asset Base of the Company

Employees	Frequency	Percentage
Below 10 billion	1	2
10-20 billion	2	4
21-30 billion	11	24
31-40 billion	19	43
above 40 billion	12	27
Total	**45**	**100.0**

Source: Research Data, 2020

The results from Table 4.5, indicates that majority of the firms have asset between 31-40 billion was at 43%, above 40 billion was at 27%, 21-30 billion was 24%, 10-20 billion was at 4% and lastly, below 10 billion was 2%. This implies that most of the firms have an asset worth 31-40 billion.

4.5 Sustainability Reporting

Sustainability reporting is a method to internalize and improve an organizations commitment to sustainable development in a way that can be demonstrated to both internal and external stakeholders. Sustainability reporting has three indicators which include: economic, social and environmental factors.

4.5.1 Economic Factors

The respondents were given five statements on economic and they were asked to indicate their level of agreement. The results are as shown in Table 4.6.

Table 4.6: Economic Factors

Statement	N	Mean	Std.dev
The firm discloses their economic sustainability information with the help of sustainability reports and also with the aid of annual reports.	45	4.18	0.95
Direct economic value generated and distributed, including revenues, operating costs, employee compensation are shown on sustainable reporting.	45	3.73	1.06
Financial implications and other risks and opportunities are reported fully in sustainability report.	45	3.57	0.99
The company supports local procurement	45	3.00	1.02
The company has set a side budget for Research and Development	45	3.40	1.05
Composite mean		**3.57**	**1.01**

Source: Research Data, 2020

From Table 4.6, most respondents agreed that the firm discloses their economic sustainability information with the help of sustainability reports and also with the aid of annual reports with a mean of 4.18 and standard deviation of 0.95. It was also indicated that direct economic value generated and distributed, including revenues, operating costs, employee compensation are

shown on sustainable reporting as shown by a mean of 3.73 and a standard deviation of 1.06. Further, financial implications and other risks and opportunities are reported fully in sustainability reports with a mean of 3.57 and standard deviation of 0.99. The company has set a side budget for Research and Development had a mean of 3.40 and standard deviation of 1.05. Lastly, the company supports local procurement as shown by a mean of 3.00 and a standard deviation of 1.02. The overall mean was 3.57 which imply that economic influence sustainable reporting at moderate extent.

4.5.2 Social Factors

The respondents were given five statements on social factors and they were asked to indicate their level of agreement. The results are as shown in Table 4.7

Table 4.7: Social Factors

Statement	N	Mean	Std.dev
The sustainable report discloses the company concerns on social issues.	45	3.83	0.89
The firm employees creates awareness on Sustainability reporting	45	3.45	1.08
The company pay attention to employee health and safety.	45	3.90	0.92
The sustainable report enhance the image or company's value in the eyes of all stakeholders.	45	3.69	1.10

The company organizes training programmes for employees to improve on the understanding of Sustainability reporting.	45	3.63	0.99
Composite Statistics		**3.70**	**0.996**

Source: Research Data, 2020

From Table 4.7, the company pay attention to employee health and safety as shown by a mean of 3.90 and a standard deviation of 0.92. The sustainable report discloses the company concerns on social issues had a mean of 3.83 and a standard deviation of 0.89 while the sustainable report enhance the image or company's value in the eyes of all stakeholders as had a mean of 3.69 and a standard deviation of 1.10. The company organizes training programmes for employees to improve on the understanding of sustainability reporting as shown by a mean of 3.63 and a standard deviation of 0.99. The firm employees creates awareness on sustainability reporting had a mean of 3.45 and a standard deviation of 1.08.The overall mean was 3.70 at moderate extent.

4.5.3 Environmental Factors

The respondents were given five statements on environmental and they were asked to indicate their level of agreement. The results are as shown in Table 4.8.

Table 4.8: Environmental Factors

Statement	**N**	**Mean**	**Std. Dev**
The company follows SDG guidelines when coming up with sustainability report	45	4.11	1.17

The company staff conducts sustainability literacy programmes as a way of promoting SDG goals.	45	3.73	0.98
Sustainable reporting of the company ensures there is environmental disclosure	45	3.34	1.19
Sustainability Environmental report covers the impacts associated with the inputs (such as energy and water) and outputs (such as emissions, effluent and waste)	45	3.90	0.89
There is transparency of the company's contribution to protect the environment.	45	3.23	1.07
Composite Statistics		**3.66**	**1.06**

Source: Research Data, 2020

As per Table 4.8, the company follows SDG guidelines when coming up with sustainability report as shown by a mean of 4.11 and a standard deviation of 0.703. Sustainability environmental report covers the impacts associated with the inputs as shown by a mean of 3.90 and a standard deviation of 0.89. The findings also gave an indication that the company staff conducts sustainability literacy programmes as a way of promoting SDG goals as shown by a mean of 3.73 and a standard deviation of 0.98. Sustainable reporting of the company ensures there is environmental disclosure had a mean of 3.34 and standard deviation of 1.19. Lastly there is transparency of the company's contribution to protect the environment had a mean of 3.23 and standard deviation of 1.07. The overall mean was 3.66 implying that environmental affect sustainable reporting at moderate extent.

4.6 Competitive Advantage

A firm's competitive advantage is associated with many factors that include the customer support, intellectual property, cost structure, distribution network, quality, and brand.

Table 4.9: Competitive Advantage

Competitive Advantage	**N**	**Mean**	**Standard. Deviation**
Company gains competitive advantage through efficiency	45	4.11	.504
Company gains competitive advantage through customer responsiveness	45	4.54	.505
Company gains competitive advantage through employee satisfaction.	45	4.23	.798
Company has a competitive advantage over its rivals due to its unique corporate culture	45	4.63	.547
Company has achieved a competitive advantage through its cost leadership strategy	45	4.26	.611
Composite Statistics	**45**	**4.35**	**.652**

Source: Research Data, 2020

From the Table 4.9, a company has competitive advantage over its rivals due to its unique corporate culture a great extent with a mean 4.63 and standard deviation of 0.547. Company gains competitive advantage through customer responsiveness with a mean score of 4.54 and of S.D of

0.505. Companies achieve competitive advantage through its cost leadership strategy with a mean of 4.26 and S.D of 0.611. Further, a company gains competitive advantage through employee satisfaction with a mean of 4.23 and S.D of 0.798. Company gains competitive advantage through efficiency with a mean of 4.11 and S.D of 0.504.The overall mean was 4.35.

4.7 Correlation analysis

Correlation analysis was carried out using the Pearson product moment correlation analysis to establish the relationship between the variables. Multiple regression was carried out to determine the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange.

4.7.1 Correlation Analysis

Correlation analysis was conducted to determine the association between independent and dependent variables. In this study, it helped in determining the association between sustainability reporting and competitive advantage. Pearson Correlation analysis was employed by the study to determine the association between the study variables. The results were as indicated in Table 4.9

Table 4.10: Correlation Analysis

		Competitive Advantage	Economic	Social	Environmental
Competitive Advantage	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	45			
Economic	Pearson Correlation	.616**	1		
	Sig. (2-tailed)	.000			
	N	45	45		
Social	Pearson Correlation	.606**	.421**	1	
	Sig. (2-tailed)	.000	.000		
	N	45	45	45	
Environmental	Pearson Correlation	.690**	. 228**	.119	1
	Sig. (2-tailed)	.000	.005	.059	.
	N	45	45	45	45

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

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

Based on Table 4.10, all the independent variables had a positive correlation or relationship with the dependent variable with environmental having the highest correlation of (r=0.690, p< 0.01). This implies that when environmental increases, competitive advantage will increase significantly. Similarly, economic with a correlation of (r=0.616 p< 0.01) implies that when economic increases, competitive advantage will increase significantly. Finally social with a correlation of (r=0.606 p< 0.01).This implies that when social increases, competitive advantage will increase significantly.

4.8 Regression Results

The study measuring constructs were largely quantitative in nature and thus regression analysis was the most appropriate tool to use. The predictive power of the independent variables on the dependent variable is the reason regression was used. The results are seen in Table 4.11, 4.12 and 4.13.

4.8.1 Model Summary

Sustainability reporting was regressed against competitive advantage. Table 4.10 shows the results.

Table 4.11: Model Summary

Model	R	R^2	Adjusted R Square	Std. Error of the Estimate
1	.904[a]	.817	.811	.166

a. Predictors: (Constant), Economic, Social, Environmental

b. Dependent Variable: Competitive Advantage

From Table 4.11, the R value is .904 which is indicative of a positive direction of the regression results. Basically, R is the correlation of the range between the observed and predicted values that characterize the dependent variable and they range from -1 to 1 (Wong and Hiew, 2005). The coefficient of determination R^2 value was 0.811. This indicates clearly that 81.1 per cent of the variance in dependent variable (competitive advantage) was explained and predicted by independent variables (Economic, social, environmental).

Table 4.12: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.090	3	1.518	2.427	.000[b]
	Residual	2.460	42	.166		
	Total	10.550	45			

a. Predictors: (Constant), Economic, social, environmental

b. Dependent Variable: Competitive advantage

From Table 4.12, the result for the F-statistics (F = 2.427) was significant at 5 per cent level (Sig. F< 0.05), which consequently confirms the fitness of the model and hence, there is statistically significant influence of Economic, social and environmental.

4.8.2 Model Regression Coefficients

Table 4.13 shows unstandardized coefficients, standardized coefficients, t statistic and significant values.

Table 4.13: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B (β)	Std. Error	Beta (β)		
(Constant)	.179	.756		.236	.817
Economic	.149	.239	.165	.623	.543
Social	.247	.159	.272	1.554	.012
Environmental	.239	.125	.305	1.906	.037

a. Dependent Variable: Competitive advantage

From Table 4.13, all the variables carried positive predictive power although there was variation in significance level. The results also show that economic had a positive and significant effect on competitive advantage (β = 0.165, p=0.543). From above equation it meant that when other variables are controlled, a unit change in the economic would result to competitive advantage change significantly by 0.165 units in the same direction. However, social had a positive and significant effect on competitive advantage (β = 0.272, p=0.012). From regression equation it implied that when other variables are controlled, a unit change in the social would result to competitive advantage change significantly by 0.272 units in the same direction. Similarly environmental had a positive and significant effect on competitive advantage (β = 0.305, p=0.037). From regression equation it implied that when other variables are controlled, a unit change in the environmental would result to competitive advantage change significantly by 0.305 units in the same direction. The regression equation was as follows:

$Y = 0.179 + 0.165X_1 + 0.272X_2 + 0.305X_3$

Where:

Y = Competitive advantage

X_1 = Economic

X_2 = Social

X_3 = Environmental

The overall model show that sustainability reporting influence competitive advantage with a p-value of <0.005 except the economic which is at 0.543 and each variable positively predicated

competitive advantage. However, only social and environmental were significant in predicting competitive advantage.

4.9 Discussion of the Findings

The objectives of the study was to determine the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange. It was found that most of the firms that report on Sustainability are in the banking sector, followed by Commecial and Services sector. Majority of the firms had over 1500 employees and the firms have been listed in NSE for more than 10 years and do very well in terms of the market share index. This implies that most of the firms have an asset worth 31-40 billion.

It was found out that economic influence sustainable reporting at moderate extent. Direct economic value generated and distributed, including revenues, operating costs, employee compensation are shown on sustainable reporting. The findings agree with McFie,(2014) that Profit or the fiscal or economic successes are not limited or unattainable by the pursuit of the other two values. It is a report to stakeholders on the strategy, performance, and activities of the organization in a manner that allows stakeholders to assess the ability of the organization to create and sustain value over the short, medium and long term.

Analysis show that environmental influence sustainable reporting at moderate extent .One of the benefits of environmental disclosure is that companies get more environmentally aware about the effect of their business activities and their position in the environment, as they want to report positive environmental news. Similarly, Shad, (2012) did a study on the effect of corporate environmental reporting on the financial performance of the Kenyan commercial banks between

2007 and 2011. In his conclusion, he stated that CER activities had a positive influence on ROA and ROE of large and medium-sized commercial banks.

Finally, social influence sustainable reporting at moderate extent. The company organizes training programmes for employees to improve on the understanding of Sustainability reporting. The findings are consistent to Armand (2016), Social responsibility practices influence the growth and streamlining of companies, in terms of both operational performance (by increasing sales) and increased market value, as well as by reducing the risk of litigation resolution. Chang (2016) found out that the connection between sustainable reporting and the monetary advancement of organizations has brought about impressive outcomes.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarized the analysis in chapter four and underlined the key findings. It also drew conclusions and recommendations from the findings. Limitations of the study and suggestions for further studies were outlined.

5.2 Summary

The objective of the study was to examine the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange. It was observed that majority of the firms had over 1500 employees and the firms have been listed in NSE for more than 10 years are doing very well in terms of the market share index. This implies that most of the firms have an asset worth 31-40 billion.

It was found out that economic influence sustainable reporting at moderate extent. Direct economic value generated and distributed, including revenues, operating costs, employee compensation are shown on sustainable reporting, and similarly, it was found out that environmental influence sustainable reporting at moderate extent. Lastly, it was found out that social influence sustainable reporting at moderate extent. The company organizes training programmes for employees to improve on the understanding of Sustainability reporting.

The findings established the existence of a strong positive correlation between sustainable reporting and competitive advantage. It was found out that adjusted R squared was 0.811 implying that there was 81.1% variation of competitive advantage due to the changes of sustainable reporting. The remaining 18.9 % implies that other factors which lead to competitive advantage

existed and were not captured in the study. It was revealed that sustainable reporting is significant to competitive advantage of organizations in Kenya.

5.3 Conclusion of the Study

The study concludes that despite sustainable reporting being on a steady increase from an average of 20.33% in 2015 to 29.15% in 2019, sustainable reporting by publicly listed companies in Kenya is still low. A few company management is aware of the increased concerns over the impact of commercial activities on the environment, and have adopted the concept of extending company reporting to include non-financial aspect.

The study concludes that many stakeholders were indifferent to the SR and only browsed through it. Companies had considerable expenses incurred in producing the SR, without achieving effective communication. The efficiency of this means of communication is rather low. The reason for this lack of interest cannot be a lack of interest in sustainability itself, as the interviewed stakeholders made known that they are interested in issues of sustainability. Therefore, SR should be a particularly suitable tool of normative management, to portray credibility and trustworthiness to the company stakeholders with respect to the company's sustainable management practices.

The number of companies who issue sustainability reports has significantly increased during the last decade. Various researches have been conducted over the last decade for examining the linkage between sustainability reporting and corporate financial performance. There also exists a strong theoretical framework in support of sustainability reporting; encompassing Legitimacy and Stakeholder.

Lastly, the study concludes that there is benefit for company going green. It can thus be inferred that companies in Kenya that disclose more information in their sustainable reporting will perform better financially and have also outperformed the All Share Index (ASI) in annual returns than those that shy away from sustainable reporting. With increased sustainable reporting, these firms will enjoy "green goodwill" and improved reputation.

5.4 Recommendations

This study found out that that through stakeholder engagement, companies can conduct a preliminary dialogue process with the stakeholders so that they may be able to identify closely just who its stakeholders are. This is done, on the one hand, in order to avoid that the SR is sent to the "wrong address" and on the other hand, to give the stakeholders the feeling of being the real addressee of SR.

The research recommends that professional and regulatory bodies such as ICPAK and CMA need to provide guidelines that help companies to prepare and publish timely, readily accessible and reliable environmental information to satisfy the interests of stakeholders. More user-friendly policies and guidelines will give a level of prominence to environmental costs, benefits, and sustainability within financial statements and ensure that CER becomes as routine and comparable as financial reporting.

Lastly, the study recommends that both the management and Board of Directors of Kenyan companies should allocate sufficient financial resources to ensure their respective companies attend not only to their core business operations, but also to their environmental disclosure responsibilities to their shareholders and all stakeholders. Kenyan companies should work towards creating an environmentally sustainable and better society by playing their rightful role in full

environmental disclosure of their environmental impacts and their performance in mitigating these risks.

5.5 Limitations of the Study

One of the challenges was that, the target respondents for this study were managers. Majority of them were quite busy and had tight schedule due to work pressure and could not therefore have adequate time to answer the questionnaires at the time the researcher presented the questionnaire to them. To ensure that they adequately answered the questionnaire, the researcher used drop and pick later method as to allow the respondents to answer the questionnaire at their own free time.

The current study was limited to primary data that was collected using questionnaires. However, it could be prudent when data is obtained from both the primary and secondary sources were used to substitute each other. At the same time, not questionnaires that the researcher issued to respondents were returned hence reducing the return rate.

Another limitation of this study is that it only focused on organizational culture; however, there are other factors that are very instrumental in the organizational culture. These factors include but not limited to power distance, customer focus, openness to change and organization learning.

5.6 Recommendation for Further Studies

This research is considered to be a cross-sectional study that used quantitative approach. It only captured the perceptions and opinions of respondents. The cross-sectional study using the quantitative approach was selected because it was the most appropriate method available to address the issues given limited time and financial constraints. Therefore, there is need for a similar research to be carried out based on qualitative approaches.

The focus of this study was on the relationship between sustainability reporting and competitive advantage of firms listed at the Nairobi Securities Exchange.There is need for a similar study to be extended in financial institutions to establish the similarity of the finding. The research also suggests that the future studies should focus on different variables other than those used in this study.

The gist of this study was sustainability reporting; however there are other factors that influence sustainability reporting within an organization. This paper therefore recommends further studies on other related factors such as organizational leadership, corporate governance and organization design in relation to sustainability reporting.

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APPENDICES

APPENDIX I: Research Questionnaire

SECTION A: Demographic of the Company

1. Name of the Company(Optional)…….

2. The year it was established…….

3. Sector of the Firm…….

   Agricultural [ ] Automobile [ ] Banking [ ] Commercial [ ]

   Construction [ ] Energy [ ] Insurance [ ] Investment [ ]

   Manufacturing [ ] Telecommunication [ ] Real Estate [ ]

4. Indicate the number of employees in your organization

   100-200 [ ] 201-500 [ ] 501-1000 [ ] 1001-1500 [ ] Over 1500 [ ]

5. How many years has your business been listed in Nairobi Securities Exchange?

Up to 5 years [ ] 6-10 years [ ] 11-15 years [ ] 16-20 years [ ] Over 20 years [ ]

6. Indicate the asset base of the company as of December 2019

Below KShs 10 billion [ ] KShs 10-20 billion[ ] KShs 21-30 billion[ ] KShs 31-40 billion [ ] above K Shs 40 billion [ ]

SECTION B: SUSTAINABILITY REPORTING

7.To what extent do you agree with the following attributes on sustainable reporting exhibited by your firm? Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided. 1 = strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = strongly agree.

Economic Factors	1	2	3	4	5
The firm discloses their economic sustainability information with the help of sustainability reports and also with the aid of annual reports.					
Direct economic value generated and distributed, including revenues, operating costs, employee compensation are shown on sustainable reporting.					
Financial implications and other risks and opportunities are reported fully in sustainability report.					
The company supports local procurement					
The company has set a side budget for Research and Development					
Social Factors					
The sustainable report discloses the company concerns on social issues.					
The firm employees creates awareness on Sustainability reporting.					
The company pay attention to employee health and safety.					
The sustainable report enhance the image or company's value in the eyes of all stakeholders.					
The company organizes training programmes for employees to improve on the understanding of Sustainability reporting.					

The company renumerates employees in proportion to the revenue generated					
Environmental Factors					
The company follows SDG guidelines when coming up with Sustainability report					
The company staff conducts sustainability literacy programmes as a way of promoting SDG goals.					
Sustainable reporting of the company ensures there is environmental disclosure					
Sustainability Environmental report covers the impacts associated with the inputs (such as energy and water) and outputs (such as emissions, effluent and waste).					
There is transparency of the company's contribution to protect the environment.					

SECTION C: COMPETITIVE ADVANTAGE

8. To what extent do you agree with the following attributes on competitive advantage exhibited by your firm? Using a scale of 1 - 5, tick the appropriate answer from the alternatives provided. 1 = strongly disagree, 2 = Disagree, 3 = Uncertain, 4 = Agree and 5 = strongly agree

Component	**1**	**2**	**3**	**4**	**5**
Company gains competitive advantage through efficiency					
Company gains competitive advantage through customer responsiveness					

Company gains competitive advantage through employee satisfaction.					
Company has a competitive advantage over its rivals due to its unique corporate culture					
Company has achieved a competitive advantatge through its cost leadership strategy					

APPENDIX II: Companies Listed at the NSE

Agricultural

1. Eaagads Ltd
2. Kapchorua Tea Co. Ltd
3. Kakuzi
4. Limuru Tea Co. Ltd
5. Rea Vipingo Plantations Ltd
6. Sasini Ltd Ord
7. Williamson Tea Kenya Ltd

Automobiles and Accessories

8. Car and General (K) Ltd
9. Sameer Africa Ltd
10. Marshalls (E.A.) Ltd

Banking

11. Barclays Bank Ltd
12. CFC Stanbic Holdings Ltd
13. I&M Holdings Ltd
14. Diamond Trust Bank Kenya Ltd
15. HF Group Ltd
16. KCB Group Ltd
17. National Bank of Kenya Ltd
18. NIC Bank Ltd
19. Standard Chartered Bank Ltd
20. Equity Group Holdings
21. The Co-operative Bank of Kenya Lt

Commercial and Services

22. Express Ltd

23. Kenya Airways Ltd

24. Nation Media Group

25. Standard Group Ltd

26. TPS Eastern Africa (Serena) Ltd

27. Scangroup Ltd

28. Hutchings Biemer Ltd

29. Longhorn Publishers

30. Atlas Development and Support Services

31. Deacons (East Africa) Plc

32. Nairobi Business Ventures Ltd

Construction and Allied

33. Athi River Mining

34. Bamburi Cement Ltd

35. Crown Berger Ltd

36. E.A.Cables Ltd

37. E.A.Portland Cement Ltd

Energy and Petroleum

38. KenolKobil Ltd

39. Total Kenya Ltd

40. KenGen Ltd

41. Kenya Power & Lighting Co Ltd

42. Umeme Ltd

Insurance

43. Jubilee Holdings Ltd

44. Pan Africa Insurance Holdings Ltd

45. Kenya Re-Insurance Corporation Ltd

46. Liberty Kenya Holdings Ltd

47. Britam Holdings Ltd

48. CIC Insurance Group Ltd

Investment

49. Centum Investment Co Ltd

50. Trans-Century Ltd

50. Home Afrika Ltd

51. Kurwitu Ventures

Manufacturing and Allied

52. B.O.C Kenya Ltd

53. British American Tobacco Kenya Ltd

54. Carbacid Investments Ltd

55. East African Breweries Ltd

56. Unga Group Ltd

57. Kenya Orchards Ltd

58. A Baumann CO Ltd

59. Flame Tree Group Holdings Ltd

Telecommunication and Technology

61. Safaricom Ltd

Real Estate Investment Trust

62. Stanlib Fahari I-REIT

63.Zela Proporties

Source: NSE website (2020)