



# MODERATING EFFECT OF STAKEHOLDERS' COLLABORATION ON THE RELATIONSHIP BETWEEN CORPORATE ENVIRONMENTAL PRACTICES AND SUSTAINED COMPETITIVENESS OF TEA FACTORIES IN KENYA

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## Abstract

*Production and processing of tea in an environmentally friendly manner; through collaboration is a concern among stakeholders for sustainable competitiveness. The purpose of the study was to determine the moderating effect of stakeholders' collaboration on the relationship between corporate environmental practices and sustainable competitiveness in tea sector of Kenya's economy. The objectives of the study were to; evaluate the moderating effect of stakeholders' collaboration on the relationship between corporate environmental practices and sustainable competitiveness in tea firms. This research utilized the resource-based view, resource dependency and stakeholder theories. The study targeted 878 respondents from 107 registered tea firms in Kenya and multistage sampling method was used to get sample size of 484. Primary data was collected using questionnaires. Data was analyzed using descriptive and inferential statistics. The stakeholders' collaboration moderates the relationship between corporate environmental practices and sustainable competitiveness in tea firms in Kenya ( $\beta=0.243$   $p=0.000$ ). But there was a negative significant moderation of stakeholders' collaboration on sustainable competitiveness and product adaptation ( $\beta= -0.113$ ;  $p=0.001$ ), managerial control mechanism ( $\beta= -0.128$ ;  $p=0.000$ ), and training ( $\beta = -0.110$ ;  $p=0.011$ ) in tea firms. However, no significant moderation exists on process adaptation ( $\beta= -0.014$ ;  $p=0.557$ ). It was concluded that corporate environmental practices led to sustainable competitiveness however stakeholders' collaboration significantly antagonize this relationship hence need for further research to ascertain the moderating*

*results. Managers of tea firms should pay close attention to the strategies of process, product adaptation, managerial control mechanism and training that enhance sustainable competitiveness.*

*Keywords: Stakeholders, collaboration Corporate, Environmental, Practices, Sustained competitiveness, factories*

## **INTRODUCTION**

Sustainable competitiveness is important for a firm because it increases benefits. Competitiveness is picked up when associations perform superior to their rivals in a similar industry. With the goal for associations to outsmart rivalry and prevail in the market, they should have some sort of points of interest contrasted with their opponents. Willems (2012) points out that a firm attains a higher level of competitiveness when it acquires or develops a resource or a combination of resources that allows it to outclass its competitors.

Barney (2001) indicates that sustainable competitiveness is procured through assets and abilities a firm controls, that are important, uncommon, defectively imitable, and not substitutable. These assets and capacities can be seen as groups of unmistakable and elusive resources, including a company's administration abilities, its authoritative procedures and schedules, and the data and information it controls. Also, sustainable competitiveness is what lay not on static effectiveness nor on advancing inside settled requirements yet on limit change that moves the imperatives' through joint effort with the partners. Fougher (2006) indicates that competitiveness gets to be distinctly significant just in connection to performers working inside the setting of some rendition of a market economy. Any firm should be competitive to survive and should have the capacity to meet focused gauges of profitability, that is, the effectiveness with which it changes over assets into better value.

Smith *et al.*, (2008) pointed out that worries about sustainability concentrate on the need to embrace advancements and practices that don't significantly affect the environment, are effortlessly open to and successful for farmers, can prompt to enhancements in sustenance efficiency and have positive reactions on ecological products and enterprises. In any case, corporate ecological mishaps can make public relations problems, crush markets and professions, and thump billions off the value of an organization. To this end, Esty and Winston (2006) asserts that organizations that don't add ecological speculation to their practices, risk missing upside openings in business sectors that are progressively molded by environmental factors.

The consequences of corporate environmental exercises have stretched out to end up determinants of the long term performance. To be fruitful in the long term, organizations need to set up activities that have a quantifiable positive and durable effect on the environment (Ringbeck and Gross, 2008). Similarly, Epstein (2008) sketched out the significance of creating ecological methodologies, which would minimize environmental effects through reusing, life-cycle evaluations and waste reduction systems. Furthermore, for partnerships with contamination counteractive action situated corporate ecological techniques, the relationship amongst environmental and corporate performance was more positive (Wagner, 2005).

Research has demonstrated that through corporate environmental practice systems, firms can accomplish positive financial execution results (Aragon-Correa and Sharma, 2003; Dowell, *et al.*, 2000; Sharma, 2000) and gain an upper hand over their opponents. Ambec and Lanoie (2008) point out that all the more particularly, acting in an ecologically sustainable manner gives a chance to firms to make an incentive by upgrading incomes or potentially diminish costs. Through focused environmental activities and initiatives, firms can make interest for new, environmentally friendly products, which can open up new markets prompting to improved incomes. Furthermore, Dowell *et al.*, (2000) note that firms can likewise accomplish significant reputational profits by ecological activity which thus can prompt to expanded deals and, in this way,, improve incomes.

On the cost side of the condition, environmental activities can help firms to decrease costs through decreasing waste and contamination, enhanced energy proficiency, and enhanced business processes all through their operations and supply chains (Christmann, 2000; Rao and Holt, 2005; Rothenberg, Pil, and Maxwell, 2001; Sroufe, 2003). In addition, from a long-term point of view, such activities can stay away from potential future costs identified with consistence, ecological emergency, and liabilities (Reinhardt, 1999; Karpoff, Lott, and Wehrly, 2005).

Ansanelli (2011) notes that interests in clean innovations mirror a responsive stance to ecological issues, whereby restricted assets are focused on tackling environmental issues: item and production process enhancements are made to adjust to legitimate prerequisites. Source decrease means that organizations constantly adjust their products and production processes with a specific end goal to diminish contamination levels based on legitimate necessities. Kristel and Verbeke (2003) point out that to the degree that counteractive action at the source permits firms to accomplish administrative consistence at a lower cost and to diminish liabilities, this ecological technique might be seen as a cost authority approach.

On product differentiation, Samy and ElMaraghy (2010) point out that products and production procedures are intended to minimize the negative ecological pressure amid the

products' whole life cycle. A base prerequisite for the fruitful usage of this practice is that some type of life cycle investigation (LCA) be carried out. Albu-Schäffer *et al.* (2007) note that life cycle examination is utilized to survey the ecological burden made by a product from 'cradle to grave': material choice, creation, circulation, packaging, utilization, and disposal.

In this manner, it relies upon its partners' coordinated effort: an organization must consider and draw in shareholders, workers and customers, as well as providers, public specialists, local (or national, as indicated by an association's size) group and common society as a rule, financial partners among others. These days and more later on, joint effort with partner is the directing standard for the administrative basic leadership training and the mainstay of more exhaustive corporate environmental practices. Perrini and Tencati (2006) comment that adopting this partner perspective implies reconsidering environment and motivations behind firms and the administrative instruments received by organizations themselves. The reasoning does not block any innovation on ideological grounds, but rather exemplifies all advances that are socially satisfactory, enhances profitability and does not hurt the environment.

Going "sustainable" will change the tea business, which has been experiencing for a long-time over-supply and under-performance. Adding to the need of creating tea sustainably is the purchaser voice willing to pay for tea delivered in an ethical way ensured by outsider bodies (Divney, 2007; Alliance, 2007; Sande van der Wal, 2008). Tea is the most well-known and least expensive drink beside water and is an essential product as far as occupations and export income for various tropical developing nations. While tea is produced in more than 35 nations, Sande van der Wal (2008) point out that just a modest bunch; China, India, Kenya and Sri Lanka are in charge of very nearly seventy percent of generation.

At worldwide scale, Kariuki (2012) notes that tea is significantly produced in vast farms; however, smallholder production is critical in nations, for example, Kenya and Sri Lanka. Kenya is the third biggest producer of tea after India and China and biggest exporter of dark tea on the planet with smallholder generation representing around 66% of aggregate tea production (378 million kilograms in 2011). Tea is the main exchange earner (earned US\$ 1.3 billion in foreign trade in 2011) and contributes around 4% of Gross Domestic Product (GDP). The tea segment additionally offers work lasting through the year to around 639,521 farmers in the rural regions notwithstanding providing work in different parts of the tea value chain.

The Tea Board of Kenya (2008) report notes that as a labour intensive industry, the tea sector is a source of jobs of more than three million people specifically and by implication (around 10% of Kenya's aggregate population). Notwithstanding its significance to developing nations, the tea sector is confronted with various limitations. In a survey of six significant tea

producing nations (India, Indonesia, Sri Lanka, Kenya, Vietnam and Malawi), tea production is hindered by poor farming practices and climate change among many other difficulties (Sanne van der Wal, 2008). Genuinely, the costs of tea have gone around 35% in the previous 25 years (Mulder, 2007).

Furthermore, the sector's ecological impression is significant, with lessened biodiversity because of ecological change and high-energy utilization (for the most part utilizing logged timber) among other different elements. Moreover, for the smallholder tea sector, hazardous issues incorporate low farm gate costs, poor extension services, constrained market channels, and low level of farmer association. Tending to the rising issues requires appropriation of other effective rural practices and theory that considers the environment, social and financial effects of agricultural practices when making developments in the present farming frameworks. Economical agribusiness adds to tending to this test. Most recent insights demonstrate that roughly 62% of the aggregate tea crop in Kenya is delivered by smallholder farmers who produce and offer their tea through publicly owned possessed Kenya Tea Development Agency, which is the biggest single tea organization in the globe with sixty-two tea firms (Kagira *et al.*, 2012).

Despite the yield disparities, the small-scale sector has managed to achieve higher quality standards resulting in consistently higher auction prices. The industry is the largest employer in the private sector, with more than 80,000 people working on the estate and about 3 million people earning their livelihood from the sector (Kenya Tea Development Authority, 2003).

Agriculture is the main economic activity sector in the Kenya. Export Processing Zones Authority-EPZA (2005), note that the sector accounts for about 24% of Kenya's Gross Domestic Product. Further, an estimated 75% of the population depends on the sector either directly or indirectly. Agriculture is the largest provider of foreign exchange through export earnings of agricultural products. In 2003, tea, coffee and horticultural products contributed 55% of exports revenue. It has been noted that good agricultural performance in the country translates into measurable improvements in the quality of life (Kimenyi, 2002).

Tea is the most popular and cheapest beverage next to water and is an important commodity in terms of jobs and export earnings for a number of tropical developing countries. While tea is produced in more than 35 countries, only a handful-China, India, Kenya and Sri Lanka are responsible for almost three-quarters of production and, indeed, more than half of the world's tea is produced in China and India alone (Sanne van der Wal, 2008). At global scale, tea is majorly produced in large plantations, but smallholder production is important in countries such as Kenya and Sri Lanka. Kenya is the third largest producer of tea (displacing Sri Lanka),

after India and China and largest exporter of black tea in the World with smallholder production accounting for about 66% of total tea production (378 million kilograms in 2011), (Kariuki, 2012).

Tea is the leading exchange earner (earned US\$ 1.3 billion in foreign exchange in 2011) and contributes about 4% of Gross Domestic Product (GDP). The tea sectors also offers employment all-year-round to about 639,521 growers in the rural areas in addition to proving employment in other parts of the tea value chain. As a labour intensive industry, tea sector supports livelihoods of more than three million persons directly and indirectly (about 10% of Kenya's total population) (Tea Board of Kenya, 2008).

Despite its importance to developing countries, the tea sector is faced with a number of environmental constraints. In a review of six major tea producing countries (India, Indonesia, Sri Lanka, Kenya, Vietnam and Malawi), Sanne van der Wal (2008) reported that tea production is hindered by rising production costs (labour, fuel and electricity), mismanagement, age of tea bushes, high overhead costs, bad agricultural practices, low labour productivity, climate change and dilapidated infrastructure. In real terms, prices of tea have gone down by about 35% in the past 25 years (Mulder, 2007).

Kagira *et al* (2012) further note that whatever is left of tea is produced by exclusive extensive scale tea organizations that operate and manage thirty tea firms. A couple of these substantial scale tea firms incorporate Unilever Tea, James Finlay, Kakuzi, George Williamson and Kaisugu. It might be contended that sustainable competition is impacted by the level of joint effort on corporate environmental practices with every one of the partners. Most imperative in tea sector in Kenya, is that sustainable competitiveness might be derived from the joint effort with partners that's; government, clients, providers, and workers.

In addition, the sector's environmental footprint is considerable, with reduced biodiversity due to habitat conversion and high-energy consumption (mainly using logged timber) among other factors. Additionally, for the smallholder sector, problematic issues include low farm gate prices, poor extension services, limited market channels, poor access to credit and low level of farmer organization. Addressing the emerging issues requires adoption of alternative agricultural practices and philosophy that takes into account environmental, social and economic impacts of agricultural activities when making improvements in the current farming systems. Sustainable agriculture contributes to addressing this challenge.

### **Statement of the Problem**

In the recent past firms have been struggling to come up with strategies that can guarantee sustainable competitiveness in Kenya. A number of agricultural policies have been developed aimed at mitigating the problem but tea products has been facing challenges of low demands



from customers in the international market due to several factors. Some of these difficulties include the unstable foreign currency, poor value addition of their products and poor marketing strategies. However key to the problem could be the relatively neglected issue of sustainable competitiveness of tea firms and tea products in the world and particularly in Kenya. In depth evaluation of the relationship between corporate environmental practices and sustainable competitiveness is necessary to partially mitigate the problem of lack of strategic response that relate to sustainable competitiveness of tea firms in Kenya.

Production and processing of tea in an environmentally friendly manner is the desire for global customers for the tea products more so from Kenya. These requirements in the market for tea includes among other guarantees includes process adaptation, product adaptation, managerial control mechanism and training is compelling firms to search for new strategies for sustainable competitiveness. The growing concern on the need for collaboration with the stakeholders has been drawn by the decline in the level of sustainable competitiveness of tea firms. Accordingly, there is need for in collaborations with stakeholders on environmental practices that yields real strategic benefits for the firm.

Despite the increased acceptance of corporate environmental practices as being the main reason among other factors as potentially necessary in increasing sustainable competitiveness, results have been found to be inconclusive in regard to its contribution towards sustainable competitiveness of firm. Theoretically there is relationship between corporate environmental practices and sustainable competitiveness. A number of studies have been done on competitiveness and environmental practices. This study conceptualizes an empirical link between and among corporate environmental practices, sustainable competitiveness and stakeholders' collaboration. It goes further in the sustainable competitiveness debate by arguing that stakeholders' collaboration contributes significantly to competitiveness.

Lack of stakeholders' collaboration could partially explain the problem of lack of sustainable competitiveness of tea firms in Kenya. This problem has been underscored in developing nations in general and more so in Kenya. Therefore this study attempted to fill this knowledge gap and extend the conceptual and empirical debate that characterize the link between corporate environmental practices, sustainable competitiveness and stakeholder's collaboration in tea firms in Kenya.

## **LITERATURE REVIEW**

### **Concept of Sustainable Competitiveness**

Competitiveness can be defined as a capacity and its potential must be acknowledged in an association's ordinary operations. Porter (2004) notes that unless there is suitable change at the

micro and macro-economic levels, the political, legitimate and social changes won't bear meaningful outcomes that can be appreciated by all that are involved. At the end of the day, macro-economic conditions impact the micro-economic environment and the other way around. In addition, there are numerous cases where firms practice different levels of competitiveness (both decidedly and contrarily) despite the fact that they exist in a similar large-scale business environment.

The concept of sustainable competitiveness is the term which meaning has been debated quite extensively in the literature (Russell *et al.*, 2007). For instance, Diesendorf (2000) highlights that the term of sustainable competitiveness is most commonly perceived to be meaning a long-lived corporation which is not necessary contributes to ecological or social sustainability. Conversely, sustainable competitiveness is often referred as application of sustainable development on the corporate level (Steurer *et al.*, 2005): "It is commonly perceived as societal guiding model, which addresses a broad range of quality of life issues in the long term, SC is a corporate guiding model, addressing the short- and long-term economic, social and environmental performance of corporations" (p.274). Steurer *et al.* (2005) claim that if one accepts this understanding of sustainable competitiveness, the microeconomic framework of sustainable development can also be read as a framework of sustainable competitiveness. Similarly, Baumgartner and Ebner (2010) claimed that when sustainable development is incorporated by firms it is called sustainable competitiveness. This illustrates the link between sustainable competitiveness and CEP suggested by the authors.

Sustainable competitiveness and its interdependences (Baumgartner and Ebner, 2010) and Russell *et al.* (2007) summarized various understandings of sustainable competitiveness extracted from different theoretical conceptions of sustainable competitiveness presented in other literature. The authors came up with four basic understandings of sustainable competitiveness: a corporation working towards long-term economic performance; a corporation working towards positive outcomes for the natural environment; a corporation that supports people and social outcomes; a corporation with a holistic approach. The most commonly used definition of sustainable development is given in the report of the Brundtland Commission: "to meet the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). The four aspects that underpin the commission's definition are: Holistic planning and strategy making; Preservation of ecological processes; Protection of heritage and biodiversity; Development that can be sustained for future years.

In contrast, the balanced sustainability is a concept that mediates between the weak and strong sustainability. Steurer *et al.* (2005) assume that "a partial substitutability of (non-critical) natural capital and acknowledge physical limits to economic growth where critical forms of



natural capital (such as the world climate) are seriously affected” (p. 269). Thus, sustainable competitiveness is considered to be a societal guiding model, which focuses on a broad range of issues in the long term. Similarly, sustainable competitiveness is a corporate guiding model that addresses the short- and long-term social, economic, and environmental performance of firms. This study follows the view of those authors who claim that the term of sustainable competitiveness refers to the triple bottom line and to the long-term profitability of organizations (Bansal, 2002; Dyllick and Hockerts, 2002; Baumgartner and Ebner, 2010). This also can be understood as integration of ecological, social and economic challenges to an organization (Schaltegger *et al.*, 2013). Thus, sustainable competitiveness is considered as a model that aims at integrating of economic, social and environmental issues in all levels of corporate strategies in the both short- and long-term perspectives (Steurer *et al.*, 2005).

The generally accepted result markers in the literature are development, export, and profit. This study utilized these markers and developed them by including the effect of the organization on the client and the society. On the off chance that manageability of competition should be measured, it ought to surely incorporate partners into the measure of the firm’s level of performance. The key assets for competitiveness can be gathered under three classifications, to be specific, human related, monetary and innovation related, advancement and configuration-based assets. This means that the innovation assets are kept wide to incorporate advancement and configuration since innovation assets does not really cover non-specialized developments and design capability that can add to competitiveness. The pointers in the administrative procedures and capacity intend to assess how an organization creates and utilizes its assets through leadership, procedures and frameworks in an organization, and manageability of strategies.

### **Concept of Corporate Environmental Practices**

Husted (2005) noted that corporate environmental practice includes corporate choices about the assignment of assets. McWilliams and Siegel (2001) point out that a critical examination of the expenses and advantages of corporate environmental practice extends regarding cash flows, utilizing customary methods of valuation, regularly prompts to the choice to forego such speculations. Thus, financial experts have customarily met exchanges of corporate environmental practice with extensive distrust due to its inability to add to the objective of augmenting an incentive for shareholders. Sroufe *et al.* (2002) note that corporate environmental practices incorporate everything from an association's inside endeavors for environmental appraisal, planning, and usage, to methodology for coordinating environmental product and process outline with production operations (Handfield *et al.*, 2001), to the detailing

of environmental performance data to interior and outer partners of the firm (Melnyk *et al.*, 2003; Delmas and Toffel, 2004).

The correct social obligation of business is to transform a social issue into financial opportunity and monetary advantage, into beneficial limit, into human skill, into generously compensated occupations, and into riches (Drucker, 1984). The longing of each company is to put resources into beneficial business undertaking and to stay focused in the market paying little heed to the level of the quantity of competing organizations carrying out the similar economic activities.

Pal *et al.*, (2002) discovered that ecological contamination by poisonous metals emerges accordingly of various exercises including industrial and farming waste and disposal of sewage. Metals that are released as solutes or particles have a tendency to be non-biodegradable and can result in bio-unsafe impacts. The issue of arsenic contamination in ground water represents a genuine danger in these zones since ground water is the primary source of drinking water. Long term exposures to high arsenic levels can bring about irreversible and serious harm to the health of human beings. Arsenic danger causes skin sores, lesions, and harm mucous membranes, digestive, respiratory, circulatory and sensory system and more over it is connected with the cancer of the skin, liver and lungs.

Furthermore, arsenic exposure prompts to black foot sickness, diffused and spotted melanosis, diffused and spotted keratosis, no pitting oedema, Bowen's illness and gangrene (Wang *et al.*, 2001). However, on the other hand, there is much work to be done analyzing the relationship among corporate environmental practices and pointers of financial and market performance (Hart, 1995). Hart (1995) also notes that the common asset based perspective of the firm opens a radical new area of inquest and proposes numerous beneficial ways for research throughout the coming 10 years.

Porter and Kramer (2011) state that companies create shared value in three ways: Re-conceiving products and markets, which includes improved serving existing markets, finding new ones, or creating innovative products; Redefining productivity in the value chain, which includes the quality, quantity, cost improvements as well as production, and distribution in a sustainable manner and; Enabling local cluster development, which implies development of a strong competitive context. Overall, shared value is created by leveraging the firm's unique resources and expertise. It is a new way to achieve economic and social value. In this sense, in order to achieve a sustainable shared value chain firms need to consider and adopt ways to engage stakeholders (Dunphy *et al.*, 2007). The fundamental distinction between SCR and create shared value in that the former focuses on performing activities separate from the business, while the latter aims at changing how the core business operates and tries to

integrate social and environmental impact into the business in order to drive economic value (Porter, 2012).

Given the developing extent of natural issues, this exclusion has rendered existing hypotheses deficient as a reason for recognizing vital rising sources of competitive power. Since the hypothetical underpinnings of dependable competitiveness or sustainable competitiveness is as yet advancing, it might be important to investigate the parts of the subject utilizing subjective strategies with a specific end goal to fabricate information and suggestions (Cheruiyot and Maru, 2012). This review considers four sorts of corporate natural practices in particular: process adaptation practices, product adaptation, lessening in raw materials practices and training on ecological practices.

### **Training in Corporate Environmental Practices and Sustainable Competitiveness**

Coates and McDermott (2002) note that training and access to information are essential to the improvement and use of assets and abilities in RBV hypothesis (and training on environmental practices programs that concentrate on instructing and expanding information for the firm's workers can overcome these hindrances. With this new learning, workers can then see how the environmental can influence and be influenced by their obligations and choices. From an RBV viewpoint, Daily and Huang (2001) assert that the shortcoming of an organization's business culture and its weaknesses in human resource might be vital hindrances during the time spent corporate environmental activity.

A standout amongst the most vital assets is information the asset, which training on environmental practices helps to develop. On the other hand, Del Brio *et al.* (2007). Training on environmental practices may assume a particularly critical part since it serves as a technique to assemble the authoritative abilities and information of all workers who take an interest in these projects.

Balzarova, and Castka (2008) note that training for abilities and information advancement is imperative not just for the underlying execution and appropriation of environmental practices, for example, environmental administration frameworks, additionally for their support and proceeded with operation. Training fosters the 'experience, judgment, knowledge, connections and understanding of individual managers and workers in a firm' and expanding on the work (Youndt *et al.*, 2004), that advance individual workers' learning, aptitudes and capacities, in this manner reasonably isolating them from the "pathways" through which learning is distributed, more energy proficient production and product delivery processes. Schroeder *et al.* (2002) note that the information required by workers is probably going to wind up distinctly more perplexing, requiring new aptitudes from workers at all levels of the firm.

Training enables workers in total quality environmental administration methods have been placed as being urgent to the accomplishment of these projects (Kaynak, 2003). In addition, Hanna *et al.* (2000) note that employee contribution is a basic component of projects that look to enhance both environmental and operational execution. Keeping in mind the end goal to accomplish successful strengthening building and worker contribution, representatives need be trained in particular abilities.

Wilkinson *et al.* (2001) and Dunphy *et al.* (2003) point out that studies into this area has inferred that environmental projects are more effective if elements, for example, training on environmental practices, strengthening a cooperation. Jabbour *et al.* (2008) note that training on environmental practices is a basic component to the greater part of these frameworks, however it has likewise turned out to be apparent that training on environmental practices is important for their fruitful implementation. These four professional workplace practices were looked at in connection with feasible competitiveness of tea firms in Kenya and their impact diagnostically reflected from administrative point of view.

### **Managerial Control Mechanism and Sustainable Competitiveness**

This is firmly grounded and reliant on the improvement of ecological administration bookkeeping. Sustainability is complex and has an extraordinary assortment of components that are important to business achievement. These can work in both market and non-market activities. With a specific end goal to better perceive and effectively deal with these components anyway it is fundamental that an extended comprehension of administration control be produced, and also a more extensive yet very much organized idea of sustainability management control. Since the Porter's Diamond Model deliberately incorporates non-financial components into administration, Schaltegger (2010) points out that it offers incredible potential for organizing a more extensive idea of administration control that likewise incorporates non-market perspectives. The company's formal detailing structure, its formal and casual planning, controlling and coordination of frameworks, is a part of hierarchical capital as noted by Youndt *et al.* (2004). This is intended to track the data on which proactive and receptive administration control instruments (e.g., reviews, impact appraisals and certification) are based. Sroufe *et al.* (2002) asserts that it is like natural approaches and techniques with a conspicuous place in the company's key planning procedure, for example, an environmental statement of purpose with broad and point by point targets for environmental performance or plainly characterized environmental obligations regarding workers.

The accomplishment of an environmental procedure requires a really forward-looking methodology and a long-term responsibility from the firm. Interchanges with the firm's outside

partners about corporate environmental activities, through either outer reporting, for example, publication of ecological reports and deliberate exposure of environmental performance data, the sponsorship of environmental events or the quest for environmental honors, are cases of such speculations (Gonzalez-Benito and Gonzalez-Benito, 2005). These diverse sorts of corporate environmental activity, depending on the RBV point of view, uncovers various advantages that can possibly be gotten from the usage of an assortment of environmental activities, through asset protection, process productivity improvements, product adaptation and additionally waste reduction, in this manner giving a general bearing to the coordination and combination of these activities in the mission for achievement.

Management control mechanism takes a coordination and integration function that does justice to the interdisciplinary character of sustainable competitiveness sustainability management. However, there is still the challenge of making a real contribution to the various functional areas of a firm. This complex challenge should not however act as a deterrent, because management control mechanism takes on a role of moderation and consulting that would be necessary in any case. The danger of disapproving exists when the stakeholders of management control mechanism is confused with that of policing environmental and social wrong doings, a task that at any rate would be doomed to failure (Schaltegger, 2010).

## **Theoretical framework**

### ***Stakeholder Theory***

Stakeholder theory describes a network of stakeholders. There are many ways academics have been identifying stakeholders. The most cited study on stakeholder identification and management is the Freeman's (1984) work (e.g Mithcell *et al* 1997, Frooman 1999, Preble 2005). Freeman urges firms to consider a broad range of internal and external groups and individuals as their stakeholders regardless the impact that those stakeholders might or might not have. He presented his model as a map in which the company has a central role and interacts with the surrounding stakeholders. In this model, company-stakeholder relationships are binary and mutually self-reliant.

The underlying philosophy that has characterized stakeholder theory emphasizing the "joint-ness" of stakeholder interests and the need for all stakeholders to benefit over time through their cooperation (Freeman, Harrison & Wicks, 2007). Stakeholder theory advocates that focusing on stakeholders, specifically treating them well and managing for their interests, helps a firm create value along a number of dimensions and is therefore good for firm performance (Harrison and Wicks, 2007; Harrison, Bosse & Phillips, 2010). Freeman, *et al.*, (2010), is generally supportive of a positive relationship between stakeholder-oriented

management and firm performance, which is almost always measured in terms of financial returns (Choi & Wang, 2009; Hillman & Keim, 2001).

Consistent fundamental idea that a firm should serve multiple stakeholders, firm performance might be defined as the total value created by the firm through its activities, which is the sum of the utility created for each of a firm's legitimate stakeholders, (Harrison *et al* 2013). Phillips (2003) identifies a firm's legitimate (or normative) stakeholders as those groups to whom the firm owes an obligation based on their participation in the cooperative scheme that constitutes the organization and makes it a going concern. They include customers, communities in which the firm operates suppliers of capital, equipment, materials, and labor. Firms may have other legitimate stakeholders' specific to their own situations.

Additionally, stakeholder identification can be performed through distinguishing between internal and external stakeholders. For instance, Cavanagh and McGovern (1988) recognize communities, customers, government and environment as external stakeholders, while employees, managers and stockowners – as internal ones. Some other typologies include: actors or those acted upon; those existing in a voluntary or an involuntary relationship with the firm; as risk-takers or influencers (Mitchell *et al.* 1997, p. 854). However, as individuals that form stakeholder groups might belong to and interact with more than one group stakeholder groups cannot be considered as either homogeneous or stable (Winn, 2001).

Stakeholder relationships have been studied from different perspectives including the sustainable practices point of view. In this study the term stakeholder relations attributes to any economic, environmental or social relationship between the firm and its stakeholders (Hillman and Keim, 2001). The role of stakeholder relations in firm's performance was first studied by Freeman (1984) who described the issue as a “multifaceted, multi objective, complex phenomenon”. Nowadays, the stakeholder approach is commonly used to support sustainable competitiveness (Dyllick and Hockerts, 2002). Studies show that stakeholder engagement is critical in developing both semi-proactive and proactive attitudes towards sustainability (Factor, 2003).

### ***Resource Based View Theory***

Corporate capacity and capability invest in environmental practices basically dependent on the level of its resources because; according to (Sarkis *et al.*, 2010) companies do engage in corporate environmental management initiatives to improve their environmental performance. They have also been able to accrue other benefits for their organizations from these initiatives, including improved economic and reduced risk benefits. Yet, significant barriers can exist to the adoption and implementation of various environmental practices.



A resource-based view of the firm has typically been applied in order to strategically manage companies (Rugman and Verbeke, 2002). Resource-based view examines those resources and capabilities of the firm that will enable it to generate above normal rates of return and a sustainable competitive advantage. Resources can include human, information technology, capital, equipment and knowledge resources. They can be separated into tangible (equipment and assets) and intangible (knowledge and intellectual property) dimensions.

Resource-based view states that a resource must be valuable, rare, inimitable and non-substitutable in order to confer advantage. Resource-based view predicts that valuable, rare and costly-to-imitate resources affect the performance and success of programs (Ray *et al.*, 2005) (Sohel and Schroeder, 2003). Strategic management has viewed these resource-based view attributes as core distinctive competencies. The resource-based view theory of the firm stipulates that companies can gain sustainable competitive advantages if they are supported by organization-level competencies (Rugman, and Verbeke, 2003). These competencies reflect unique combinations of resources that are rare, non-substitutable, difficult to imitate, and valuable to customers. These resource combinations may build upon a wide variety of basic components, including physical assets employee skills, and organizational processes (Delmas, 2001).

The resource-based view theory can be used to elaborate competitive strategies. This theory argues that competitive advantage lies in the resources that an organization can access and exploit and not in the ability to manage the environment (Campbell, Stonehouse & Houston, 2004). It maintains that companies are well endowed with a bundle of resources in the form of assets, competencies, processes, and substitutes that provide the organization with competitive advantage. David (2007) denotes that since companies have different attributes at different levels and different bundles of resources, differences in organizational performance are likely to be witnessed. The theory further asserts that firms have three types of resources namely; tangible resources, intangible resources and organizational capabilities.

While the RBV shed notable insights on the main effect of resources/capabilities on competitiveness that aims to justify environmental practices and related expenses from an efficiency, rationality or economic perspective (Orlitzky *et al.*, 2003), the Resource Dependence Theory (RDT) focuses much more on the firm's social context (Frooman 1999; Preferr and Salancik 1978). RDT introduced the intriguing notion that organizational strategies pertaining to sustainability may be determined by power dependency rather than by profits.

The resource based view advocates argues that the heterogeneous market positions of close competitors derive from each firm's unique bundle of resources and capabilities. Moreover, to be a source of sustainable competitive advantage, resources and capabilities must

be; valuable to enables a firm to improve its market position relative to competitors. For example, resources acquired at a price below their discounted net present value can generate rents; be rare that is of value in sustaining competitive advantage resources must be available in short supply relative to demand and to be rare, resources need to be immobile, and costly to imitate or to replicate. Manufacturing performance is likely to improve as they increasingly recognize that innovation culture and strategy are closely aligned throughout the innovation process (Narayanan, 2001).

### ***Resource Dependency Theory***

Resource dependency theory is premised on the notion that all organizations critically depend on other organizations for the provision of vital resources, and that this dependence is often reciprocal Drees *et al.*, (2013). It predicts that, firms lacking in essential resources will seek to establish relationships—often through formal and informal collaboration—to acquire such resources. According to Hillman, Withers, and Collins 2009,) “Resource dependency theory recognizes the influence of external factors on organizational behavior and, although constrained by their context, managers can act to reduce environmental uncertainty and dependence”.

We therefore expect characteristics of the focal organizations and the management within it to influence the degree to which external stakeholders such as customers, suppliers and government are perceived to be important and valuable resource providers. After all, resource dependency theory also presumes that firms are motivated by the potential to obtain social worthiness and legitimacy. As much of the literature on inter-organizational relationships in the business and society context has been influenced by the resource dependency perspective (Hendry, 2005), and the emerging fields of corporate environmental practices and stakeholder management presume active and frequent interactions—and resource dependency theory perspective as our overarching conceptual foundation.

For instance, Le Ber and Branzei (2010) relied on several related theoretical perspectives regarding the micro processes of organizational realignment to explore the relational processes that underpin social innovation within strategic cross-sector partnerships. One of the critical variables they uncover, relational attachment, a personalized reciprocal bond between partners, which provides a stabilizing buffer in the face of unexpected contingencies, relates to resource dependency theory view in that it emphasizes the relational dependencies that occur when organizations interact over long periods of time. Drawing from the resource dependency theory framework, enhanced by other relational perspectives, therefore the specific question is what factors determine firms’ propensity to engage. The factors outlined here are

commitment to corporate environmental practices, resource complementarities, trust, and social network positions.

## RESEARCH METHODOLOGY

The identification of the nature and extent of effect-and-cause relationships was through the explanatory research design. It assesses impacts of specific changes on existing norms, various processes. According to Creswell et al., (2007), the focus on a specific problem or an analysis of a situation by causal studies is to enlighten on the designs of relations between variables.

Several districts in Kenya mainly grow tea, for instance; Nandi, Kericho, Kiambu, Bomet, Thika, Sotik, Maragua, Kisii, Muranga, Nyamira, Kakamega, Nyambene, Nakuru, Meru, Trans-Nzoia, Nyeri, Embu and Kirinyaga. Eighty percent of favorable weather patterns are experienced in these areas. Small-scale growers and multinational companies share production as mentioned earlier and; several scientific advances in tea cultivation have come their way, currently small-scale sector average yields stand at 1800kg per hectare which is still below estates sector (Teas Research Foundation, 2002; Willson, 1999). Higher quality standards have been achieved in small-scale sector despite the disparities in yields leading to steadily higher selling prices. According to KTDA (2003), people earning their livelihood from the sector is approximately 3 million, with over 80,000 people employed in the estate, rendering it the largest employer in the private sector industry.

### Population and Sampling

The target population was 878 managers responsible for production, finance and human resource in tea firms because they understood the various environmental practices (Tea firms HR database, 2015) that are in place in their own firms and also have strong knowledge on how basic requirements in both local and international market for tea. Nassiuna (2006), argues that in most descriptive and experimental research, coefficient of variation of at most 20% is accepted and standard error of 0.02 can be used. A sample size of 484 managers in community owned tea firms.

Multi stage sampling technique was used because according to Singh (2006); this type of sampling is more representative and comprehensive of the population. Stages of a population were created, through stratification that is according to the nature of ownership of the tea firms that's; community owned and private owned tea firms. Then, the researchers used purposive sampling to administered questionnaire of managers responsible and have adequate knowledge of for the environmental practices being carried out by tea firms and random sampling to pick on the interviewee where there is more than the required number of managers. Random sampling

method was used so that the senior most managers in the three key departments was asked to fill the self-designed questionnaire at one in employee relations office and finance and two in production department.

### Data Collection

This research collected qualitative data using self-administered questionnaires taken to tea firms then a follow-up visits after 7 to 10 days to increase of response rate. Four research assistants underwent two weeks training on environmental practices on data collection and thereafter, the researcher made formal request for approval for this research study from the Office of the President. Upon completion of the data collection, the data was checked, cleaned, coded and analyzed before making final report. Both primary sources of data were utilized in this study. Primary data was collected using self-administered questionnaires to firm managers, employee relations managers and leaf-based managers of the tea firms with telephone calls prior to delivery of the questionnaires to the contact persons and thereafter to made follow ups.

### Hierarchical Regression Model

Hierarchical regression was used to evaluate the relationship between a set of corporate environmental practices and sustainable competitiveness of tea firms. To test hypotheses  $H_{01}$ - $H_{07}$ , multiple regression analysis as shown in model 1 was used. In this model sustainable competitiveness is a function of process adaptation, product adaptation, managerial control mechanism and training on environmental practices and controlled variable. To find support for any effect of corporate environmental practice on sustainable competitiveness, the coefficients ( $\beta_1 - \beta_7$ ) were to be different from zero and significant for the respective dimensions. The multiple regression analysis was represented by model 1. Thus;

$$SC = \beta_0 + \beta_1(OW) + \beta_2(AG) + \beta_3(SZ) + \varepsilon \dots \dots \dots \text{Model 1}$$

Where;

SC= Sustainable Competitiveness,  $\beta_0$  =Constants, ( $\beta_1 - \beta_2$ ) = Coefficients, OW =Ownership of the Firm, AG =Age of the Firm, SZ= Size of the Firm and  $\varepsilon$  = Error.

To test effects of moderator and interactions with corporate environmental practices, hierarchical regression analysis was conducted on hypotheses  $H_{01}$ ,  $H_{02}$ ,  $H_{03}$ ,  $H_{04}$ ,  $H_{05}$ ,  $H_{5a}$ ,  $H_{5b}$ ,  $H_{5c}$ , and  $H_{5d}$ . Hierarchical regression analysis refers to the method of regression in which not all the variables are entered simultaneously but one at a time. In each step the correlation of Y the criterion variable with the current set of predictors is calculated and evaluated. At each stage the R square that is calculated shows the incremental change in variance accounted for in Y with the addition of the most recently entered predictor and is exclusively associated with that

predictor. Moderated hierarchical regression analysis determines the extent to which moderator interaction affects the relationship between corporate environmental practice and sustainable competitiveness.

Stakeholders' collaboration plus moderation effects with predictor variables on sustainable competitiveness were included in the hierarchical regression models 2 to 7. Stated by Baron and Kenny (1986) the study considered a moderator effect to exist if the interaction term explains a statistically significant amount of variance of criterion variable. Significant relationship exists between independent variables and moderator variable if the coefficients of  $\beta_2$ -  $\beta_7$  are different from zero. The moderating effect was examined using hierarchical regression analysis procedures described by Baron and Kenny (1986) as shown in model 2 and 7.

Thus;

$$SC = \beta_0 + \beta_1(PRA) + \beta_2(PDA) + \beta_3(MCM) + \beta_4(TEP) + C + \varepsilon \dots \dots \dots \text{Model 2}$$

$$SC = \beta_0 + \beta_1(PRA) + \beta_2(PDA) + \beta_3(MCM) + \beta_4(TEP) + \beta_5(STC) + C + \varepsilon \dots \dots \dots \text{Model 3}$$

$$SC = \beta_0 + \beta_1(PRA) + \beta_2(PDA) + \beta_3(MCM) + \beta_4(TEP) + \beta_5(STC) + \beta_{5a}(PRA * STC) + C + \varepsilon \dots \dots \dots \text{Model 4}$$

$$SC = \beta_0 + \beta_1(PRA) + \beta_2(PDA) + \beta_3(MCM) + \beta_4(TEP) + \beta_5(STC) + \beta_{5a}(PRA * STC) + \beta_{5b}(PDA * STC) + C + \varepsilon \dots \dots \dots \text{Model 5}$$

$$SC = \beta_0 + \beta_1(PRA) + \beta_2(PDA) + \beta_3(MCM) + \beta_4(TEP) + \beta_5(STC) + \beta_{5a}(PRA * STC) + \beta_{5b}(PDA * STC) + \beta_{5c}(MCM * STC) + C + \varepsilon \dots \dots \dots \text{Model 6}$$

$$SC = \beta_0 + \beta_1(PRA) + \beta_2(PDA) + \beta_3(MCM) + \beta_4(TEP) + \beta_5(STC) + \beta_{5a}(PRA * STC) + \beta_{5b}(PDA * STC) + \beta_{5c}(MCM * STC) + \beta_{5d}(TEP * STC) + C + \varepsilon \dots \dots \dots \text{Model 7}$$

Where;

$\beta_1 - \beta_7$  = coefficients, PRA = Process Adaptation, PDA = Product Adaptation, MCM=Managerial Control Mechanism, TEP= Training on Environmental Practices, STC- Stakeholders Collaboration,  $\varepsilon$  = Error term, (STC \* PRA) = Z score Stakeholders Collaboration \* Z score Process Adaptation, (STC \* PDA) = Z score Stakeholders Collaboration \* Z score Product Adaptation, (STC \* MCM) = Stakeholders Collaboration \* Z score Managerial Control Mechanism and (STC \* TEP)= Stakeholders Collaboration \* Z score Training.

The study hypotheses were tested using a multiple hierarchical regression model to analyze the relationship between corporate environmental practices, stakeholders' collaboration and sustainable competitiveness in the tea sector of Kenya's economy.

## RESULTS

Objective was to establish the moderating effect of stakeholders' collaboration on the relationship between corporate environmental practices and sustained competitiveness of tea factories. This was established using the descriptive, stepwise regression and process. A hierarchical multiple regression analysis was applied in order to establish the moderating effect of stakeholders' collaboration on the relationship between corporate environmental practices and sustained competitiveness of tea factories. The regression model summary results between environmental corporate environmental practices and sustainable competitiveness, indicates that the three control variables explained only 73.6% ( $R^2=0.736$ ) of the variance on sustainable competitiveness contributed an additional  $R^2$  of (5.7%) which was statistically highly significant. The Durbin-Watson statistic for this regression was 1.927 and falls within the acceptable range which indicated that the residuals were not correlated as presented in Table 1.

To test the hypothesis H0, the "moderating effect of stakeholder's collaboration", all the independent variables (process adaptation, product adaptation, managerial control mechanism and training) were multiplied with the stakeholder's collaboration and the product item put in the regression equation to establish the model 4, 5, 6 and 7. The results showed that there was significant effect of stakeholder's collaboration on product adaptation (with  $\beta= -0.113$ ), managerial control mechanism (with  $\beta= -0.128$ ), and training on environmental practice (with  $\beta= -0.111$ ), and as moderator on the relationship with sustainable competitiveness of tea firms. However there was no significant effect on process adaptation (with  $\beta= -0.014$ ). The finding implies that tea firms with good stakeholder's collaboration affect the relationship between process adaptation on environmental practice in order to enhance sustainable competitiveness.

Table 1 Hierarchical Multiple regression

	Model 3	Model 4	Model 5	Model 6	Model 7
Ownership	.017	.014	-.003	.011	.007
Age	.013	.012	.013	.019	.018
Size	.057	.058	.065	.068	.065
PRA	.263	.261	.266	.271	.279
PDA	.125	.126	.134	.128	.126
MCM	.128	.129	.124	.140	.135
TEP	.402	.403	.399	.393	.393
STC	.243***	.243	.256	.258	.256



PRAstc		-.014	.047	.103	.138
PDAstc			-.113***	-.089	-.065
MCMstc				-.128***	-.078
TEPstc					-.111*
R	.858	.858	.862	.870	.872
RSq-R <sup>2</sup>	.736	.736	.744	.757	.760
Adj R <sup>2</sup>	.731	.731	.738	.750	.755
$\Delta R^2$	.057	.000	.007	.013	.004
F	147.922	131.322	122.461	119.127	111.190
Durbin-Watson	1.927	1.915	1.920	1.901	1.921

Table 1...

Model summary interaction results shows that model 4 interaction of Z score stakeholders' collaboration \*Z score process adaptation which explained 73.6% ( $R^2 = 0.736$ ) of the variance on sustainable competitiveness. Model summary interaction results shows that model 5 interaction of Z score stakeholders' collaboration \*Z score product adaptation which explained 74.4% ( $R^2 = 0.744$ ) of the variance on sustainable competitiveness.

Model summary interaction results shows that model 6 interaction of Z score stakeholders' collaboration \*Z score managerial control mechanism which explained 75.7% ( $R^2 = 0.757$ ) of the variance on sustainable competitiveness. Model summary interaction results shows that model 7 interaction of Z score stakeholders' collaboration \*Z score training which explained 76% ( $R^2 = 0.760$ ) of the variance on sustainable competitiveness.

In support of expectation of the study, findings indicated that moderating effect of Stakeholders' Collaboration was positive and highly significant on the relationship between corporate environmental practices and sustainable competitiveness ( $\beta_1 = 0.243$  ( $P < 0.05$ )) and the hypothesis was therefore rejected. The findings indicated that moderating effect of Stakeholders' Collaboration was negative and insignificant on the relationship between process adaptation and sustainable competitiveness ( $\beta = 0.014$  ( $P < 0.05$ )) and the hypothesis was therefore rejected.

In support of expectation of the study, findings indicated that moderating effect of Stakeholders' Collaboration was negative and not significant on the relationship between corporate environmental practices and sustainable competitiveness ( $\beta = -0.113$  ( $P > 0.05$ )) and the hypothesis was therefore accepted. The findings indicated that moderating effect of Stakeholders' Collaboration was negative and significant effect on the relationship between managerial control mechanism and sustainable competitiveness ( $\beta = -0.128$  ( $P < 0.05$ )) and the hypothesis was therefore rejected. In support of expectation of the study, findings indicated that

moderating effect of stakeholders' collaboration was negative and significant on the relationship between training and sustainable competitiveness ( $\beta = -0.111$  ( $P < 0.05$ )) and the hypothesis was therefore rejected.

## CONCLUSIONS AND RECOMMENDATIONS

On output oriented, managerial oriented and training oriented CEP there was high approval that it had direct positive influence on sustainable competitiveness. This is demonstrated by the high perceived means of CEP items/ scales. The managers feel that the use of cleaner transportation methods, reduction in raw material, reduction in waste generation, policy on recycling of solid waste, environmental management procedures for internal use and training methods really assist them to achieve sustainable competitiveness.

The insignificance of moderated process oriented CEP and side by side significant direct influence on sustainable competitiveness. It could be concluded that the effect of stakeholders' collaboration of the relationship between process adaptation and sustainable competitiveness was lost because of interviewing one among many stakeholders, namely managers. For instance, despite the high level of direct positive significance of all the four independent variables on sustainable competitiveness, still there was a significant but negative moderating effect of the three variables, namely output oriented, managerial oriented and training oriented CEP.

Also, managerial control mechanism had positive and significant effect on sustainable competitiveness of tea firms. On this aspect, the firms would put in place comprehensive policy on production policies and procedures, policies to prevent air and water pollution, environmental report, including data on pollution, positive steps toward preserving environment, and policy on clean energy and renewable energy. This would help to measure the firm in environmental measurements and create obligations that must be complied with by all the parties including the stakeholders.

Lastly moderation by stakeholders' collaboration indicated a shift from positive to negative significant effect on the three predictors namely product adaptation, managerial control mechanism and training on sustainable competitiveness which calls for critical look by the management practitioners in order to understand the sudden change from managerial perspective.

Results of this study provided valuable information on the moderating role of stakeholders' collaboration on the relationship between corporate environmental practices and sustainable competitiveness. It therefore recommends that future studies on stakeholders' collaboration should pay close attention to its moderating role on process adaptation as it was

insignificant in this study. Also structural equation model can be used to analyze data and compare the results because this study was based on hierarchical regression model.

Despite these findings on the effect of stakeholders' collaboration on the relationship between corporate environmental practices and sustainable competitiveness, there are varieties of other factors that have not been addressed in this study. Particularly of importance is change of environmental factors. Future studies should explore whether and how change in environmental practices affect the moderating effect of stakeholders' collaboration on the relationship between corporate environmental practices and sustainable competitiveness.

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