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Relationship between Strategic Environmental Relations Practice and Organizational Performance of Companies Listed in Nairobi Securities Exchange

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ABSTRACT
The general objective of this study was to assess the influence of strategic employee relations practice on organization performance of Nairobi Securities Exchange listed companies in Kenya. The study also sought to determine the moderating effect of organization size on the relationship between strategic employee practices and performance of the organizations. The study utilized a descriptive survey research design that incorporated quantitative and qualitative approaches. The target population for this study consisted all the 62 companies listed at the Nairobi Securities Exchange (NSE) as at December 2014 from which primary data was collected using questionnaires administered to human resource and finance managers alongside secondary data on performance collected using a data collection sheet. Descriptive statistics was used aided by Statistical Packages for Social Sciences version 24 to compute percentages of respondents' answers. Also, analysis was conducted using quantitative approach. The study found out that strategic environmental relations practice influence positively organizational performance. The study therefore, recommends that organizational managers should incorporporate and initiate such programs that include; waste disposal initiatives, environmental cleaning programs, air pollution reduction activities, material recycling activities, tree planting activities, promotion of use of clean energy, water conservation and environmental rehabilitation and conservation.

Key words: Strategic environment relations practice, Organization performance, NSE

INTRODUCTION

Recent years have seen mounting global pressure for enactment and adoption of stricter legislations pertaining to environment protection in and around the globe. Companies are taking proactive initiatives for emission reduction in anticipation of future policy, and societal and competitive developments with respect to environment. With increasing importance of environmental friendly products, processes, and services, firms are realizing the importance of adopting environmental standards for their sustainability in the long run. This has facilitated development of green resources and capabilities and compliance with international standards such as ISO 14000, OHSAS 18000, and environmental legislations. Environmental performance is enhanced by improvements in three aspects – (a) product technologies such as use of recycled raw materials and other resource saving programs, (b) process technologies such as use of efficient production systems and end-of-pipe controls, and (c) management systems such as workers' training programs and environmental audit. Global standards on CSR towards environment endorse these aspects. Research on environmental proactivity has not been conclusive (Christman, 2010). But studies link environmental commitment with enhanced profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008).

Environmental issues emphasize on preserving and conserving natural resources such as conducting recycling activities, noise reduction action plan to pursue noise improvement initiatives, water and process treatment and compliance with authority regulations and requirements. Many enterprises recognized the importance of their responsibilities towards the environment and take them seriously by setting targets for continually improving their performance. Policies are developed in accordance efforts such as minimizing the consumption of natural resources including energy, water and other raw materials, phasing out the use of ozone depleting substances in buildings, reducing waste produced, encouraging recycling and minimizing the use of landfill sites while ensuring the compliance with all relevant legislation (Chamhuri & Wan Noramelia, 2004). Besides, it might also involve regular review of transport operations that improves efficiency and reduces its environmental impact, liaising with suppliers to develop environmental best practices in supply chain, promoting the recycling of raw materials, encouraging staff to support initiatives towards local, national or global environment in a positive way, raising and maintaining staff awareness of such policies, ensuring that employees are engaged in supporting resulting practices, measuring, monitoring and reporting on the key aspects of environmental performance and regularly reviewing the progress against targets (Chamhuri & Wan Noramelia, 2004).

In Kenya, the cultural context is an important factor in defining CSR. The communal culture is captured in the indigenous concept of "Harambee" which embodies and reflects the strong

ancient value of mutual assistance, joint effort, social responsibility and community self-reliance. This concept means that collective good outweighs individual gain. According to (Gathii, 2008), the Kenya Bureau of Standards (KEBS) has been involved in drafting guidelines on CSR. These guidelines, in addition to those voluntarily adopted by companies and the current ISO standards, form a backdrop against which to measure CSR in Kenya. A number of companies in Kenya have embraced CSR and have engaged in a myriad of responsive activities. Standard Chartered Bank Kenya Limited (SCB) for instance, has an elaborate Corporate Social Responsibility policy that guides its operations. The Policy is monitored and executed by the corporate affairs department with some responsibilities delegated to CSR committees at departmental levels. The acceptability of CSR programme for funding at SCB Kenya Limited is arrived at by hypothesizing the social, employee and business development contributions but does not go further to measure the actual value gained from investing in the CSR programmes.
The Nairobi securities exchange (NSE, 2011) was established in 1954 as a voluntary association of stock brokers with the objective of facilitating mobilization of resources to provide long term capital for financing investments. Through stringent listing requirements, the market promotes higher standards of accounting, resource management and transparency in the management of business. The NSE is regulated by Capital Markets Authority (CMA, 2011) which provides surveillance for regulatory compliance. The exchange has continuously lobbied the government to create conducive policy framework to facilitate growth of the economy and the private sector to enhance growth of the stock market (Ngugi, 2005).

Statement of the Problem
Environmental performance is enhanced by improvements in three aspects – (a) product technologies such as use of recycled raw materials and other resource saving programs, (b) process technologies such as use of efficient production systems and end-of-pipe controls, and (c) management systems such as workers' training programs and environmental audit. Global standards on CSR towards environment endorse these aspects. Research on environmental proactivity has not been conclusive (Christman, 2010). Obstacles to CSR are found to be ad hoc approach by the top management towards CSR, lack of consensus on priorities within the firm, and problems related to measurement and evaluation of CSR activities (Krishna, 2012). But studies link environmental commitment with enhanced profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008). In Kenya, a small percentage of of certain companies are showing the way to a better model for CSR such as Safaricom with the financially inclusive product called MPESA, Equity bank with the financial product innovations that included segments of society that were previously ignored like wings to fly models that caters for bright students who cannot afford their school fees (Society initially ignored these groups).Thus the focus of this study was to determine the effects of strategic environmental relations practice on an organization's performance.

Objective of the study

The objective of this study was to determine the influence of strategic environmental relations practice on organization performance of Nairobi Securities Exchange listed companies in Kenya.

Hypothesis

H_0 Strategic environmental relations practices influence the organization performance of NSE listed companies in Kenya

LITERATURE REVIEW

The study was supported by the following theory and reviewed literature:

Corporate Governance Theories

Corporate governance is explained by a group of theories which include agency theory, stakeholder theory, stewardship theory and resource dependence theory. According to Kiel and Nicholas (2003), the common aim of many of the theories has been to posit a link between corporate governance and organizational performance. A review of various theories demonstrate how the two theories come out as really contrasting with reference to how corporate governance should be constituted in order to positively impact on performance of an organization. Two such theories which form the basis for the study are the Agency Theory and Stewardship Theory. Agency Theory is founded on the idea that, in a modern corporation there is a separation of ownership and management, resulting in agency costs associated with resolving the conflict between the owners and the agents (Jensen and Meckling, 1976). This implies that management cannot be trusted, thereby calling for strict monitoring by the Board in order to protect shareholders' interest. The main concern of Agency Theory therefore, is effective monitoring which is achieved when Board have majority of outside and ideally independent directors. The position of Chairman and CEO should be held by different persons.
The implication of this theory is that corporate Boards would reflect the environment of the Firm (Hillman, et al, 2000) and that corporate directors will be chosen to maximize the provision of important resources to the Firm. Each director may bring different linkages and resources to a Board. Board composition will thus theorize to reflect a matching of the dependencies facing an organization to the resources acquisition potential of its Board members (Hillman, et al, 2000). From the foregoing discussion, it can be seen clearly that unlike the Agency Theory, Resource Dependency Theory ignores alternative activities of the Board such as providing advice and strategizing (Kesner & Johnson, 1990).

Corporate Social Responsibility Theories

The basic idea of CSR is that business and society are interwoven rather than separate entities (Wood, 1991). As discussed, a number of theories have been identified in the literature to explain CSR. For example, stakeholder theory explains how CSR is important, and the social contract and legitimacy theories explain why CSR is important (Moir, 2001). CSR includes a number of theories and many studies have discussed agency, stakeholder and social contract that are behind the concept of CSR; these theories and CSR approaches under the themes of economics, politics, social integration and ethics (Parsons & Sociales, 1961; Garriga & Melé, 2004; Jamali & Mirshak, 2007).

Strategic Environmental Relations Practices and Organization Performance

Recent years have seen mounting global pressure for enactment and adoption of stricter legislations pertaining to environment protection in and around the globe. Companies are taking proactive initiatives for emission reduction in anticipation of future policy, and societal and competitive developments with respect to environment. With increasing importance of environmental friendly products, processes, and services, firms are realizing the importance of adopting environmental standards for their sustainability in the long run. This has facilitated development of green resources and capabilities and compliance with international standards such as ISO 14000, OHSAS 18000, and environmental legislations. Environmental performance is enhanced by improvements in three aspects – (a) product technologies such as use of recycled raw materials and other resource saving programs, (b) process technologies such as use of efficient production systems and end-of-pipe controls, and (c) management systems such as workers' training programs and environmental audit. Global standards on CSR towards environment endorse these aspects. Research on environmental proactivity has not been conclusive (Christman, 2010). But studies link environmental commitment with enhanced profitability, particularly in high growth industries (Russo & Fouts, 2007). Evidence suggests proactive environment management enhances firm's market value (Klassen & Mc Laughlin, 2006), reputation, and FP (Alvarez et al., 2011; Miles & Covin, 2010). The impact of firms' proactive environmental practices on market share, profitability, and return on investment is better in environmentally conscious companies compared to not-conscious companies (Ahmed et al., 2008).

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Nzovah (2012) sought to determine factors that influence the practice of CSR in Standard Chartered Bank-Kenya. Data was collected by use of an interview guide from 61 senior managers, middle level managers and staff working directly in the corporate affairs department. Descriptive statistics was used in analyzing primary data while secondary data was analyzed by use of content analysis. The findings indicate that the bank has various CSR activities ranging from health, education, environment and general community support strategies. Nzovah (2012) found out that among the factors that came out as influencing CSR in SCB included corporate strategy, accountability, enhancement of stakeholder relations, company integrity and stakeholder cooperation. However, among all these factors, stakeholders' welfare and relations appeared to be favored by the respondents as a key influencing factor in the adoption and implementation of CSR.

Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Mutindi, Namusonge and Obwogi (2013) underscore that Organizational performance is concerned with the overall productivity in an organization in terms of stock turnover, customers, profitability and market share. Competition in the global economy has intensified the importance of identifying the drivers of sustainable performance.The search for such drivers is no longer restricted to tangible factors but has expanded to include intangibles. Performance may be measured by both quantitative and qualitative methods.

According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes. Financial performance (profits, return on assets, return on investment; product market performance (sales, market share); and shareholder return (total shareholder return, economic value added). An organization performance is tested against the commitment that the management made in management system. It measures the management plans of whether social, economic and ecological goals are being achieved.

Return on assets (ROA), return on equity, asset age, and return on sales are the frequently used financial performance measures. Particularly, ROA is consistently claimed to be an authentic measure of financial performance (Berman et al., 2009; McGuire et al., 2008).Unlike other accounting measures such as return on equity or return on sales, ROA is not affected by the differential degree of leverage present in firms. Because ROA is positively correlated with the stock price, a higher ROA implies higher value creation for shareholders. Moreover, in asset-heavy firms such as the manufacturing firms, ROA is a better indicator of firm performance.

Financial performance measures are lag indicators and capture historical performance arising from mostly tangible assets (Ong, 2003). They often fail to properly record performance from intangible assets such as: customer relationships, employee satisfaction, innovation, investment in research and development, and the like that have become significant sources of competitive advantage for firms in recent times (Lev, 2010). In contrast, non-financial performance measures focus on a firm's long-term success factors such as: research and development, customer satisfaction, internal business process efficiency, innovation, and employee satisfaction, and capture performance improvements from intangible assets (Kaplan & Norton, 2011).

RESEARCH METHODOLOGY

The study utilized a descriptive survey research design that incorporated quantitative and qualitative approaches. The target population for this study consisted all the 62 companies listed at the Nairobi Securities Exchange (NSE) as at December 2014 from which primary data was collected using questionnaires administered to human resource and finance managers alongside secondary data on performance collected using a data collection sheet. Descriptive statistics was used aided by Statistical Packages for Social Sciences version 24 to compute percentages of respondents' answers. Also, analysis was conducted using quantitative approach.

RESEARCH FINDINGS AND DISCUSSION

Response Rate

As presented in table below, a total of 62 questionnaires were distributed, 51 (n=51) were correctly filled and returned. This represented a response rate of 82.25%. According to Hart (1987) response rate in business survey vary from 17 percent to 60 percent with an average of 36 percent. However, Olsen (2004) observed that a response rate of 50 percent in a survey is adequate. The response rate of this study of 82.25% is therefore considered adequate as it was above the benchmarks of 36% and 50%. This implied that the findings of this study were representative of the overall population.

Table 4.1 Analysis of the response rate

Response rate	Frequency	Percentage
Questionnaire sent	62	100
Questionnaire returned	51	82.25

Source: Primary data

Strategic Environmental Relations Practices

The responses to the eight likert item questions on environmetal relations practices evidence agreement that the firms engage in various environmental initiatives.

Table 4.10: Descriptive Statistics on Environmental Relations Practices

Opinion	N	Mean	Std. Deviation
1. Our company engages in activities of reduction of air pollution	51	3.902	.700
2. Our company engages in activities for proper waste disposal	51	3.980	.547
3. Our company engages in activites for recycling material	51	3.902	.640
4. Our company engages in activities for use of clean energy	51	3.765	.681
5. Our company engages in activities for organizing environmental cleaning programs	50	3.920	.488
6. Our company organizes study programmes for environmental rehabilitation and conservation	51	3.333	.766
7. Our company organises water conservation in production activities	51	3.412	.698
8. Our company organises tree planting activities by the company and this influences the organizations performance	50	3.880	.659

As indicated in Table above, the respondents agree on existence of: waste disposal practices (mean = 3.980, SD = 0.547), organizing environmental cleaning programs (mean = 3.920, SD = 0.488), air pollution reduction initiatives (mean = 3.902, SD = 0.700), material recycling acivities (mean = 3.902, SD = 0.640), tree planting activities (mean = 3.880, SD = 0.659), use of clean energy (mean = 3.765, SD = 0.681), water conservation in production activities (mean = 3.412, SD = 0.698) and study programmes for environmental rehabilitation and conservation (mean = 3.333, SD = 0.766).

Test of hypothesis

The study was to assess the influence of strategic environmental relations practice on organization performance of NSE listed companies in Kenya. Multiple regression model was used to test the hypothesized relationship stated as:

H_0Strategic environmental relations practices influence the performance of companies listed at the NSE in Kenya.

The linear regression model shows R^2= 0.099 which means that 9.9% change of performance of companies can be explained by a unit change of strategic environmental relations practice. The result is shown in table below. Out of the results there is an indication that one unit change in strategic environmental relations practice to 9.9% change in performance of companies therefore, strategic environmental relations practice. has a positive influence on performance of companies.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.338[a]	.114	.099	.90304

a. Predictors: (Constant), performance of companies

Further test on ANOVA shows that the significance of the F-statistic (7.365) is less than 0.05 since p value, p=0.00, as indicated in table below. This implies that there is a positive significant relationship between strategic environmental relations practice and performance of companies. Therefore, strategic environmental relations practice increase performance of companies and managers should embrace environmental relations practices as a way of increasing performance of companies.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.006	1	6.006	7.365	.009[b]
	Residual	46.483	57	.815		
	Total	52.489	58			

a. Dependent Variable: Strategic environmental relations

b. Predictors: (Constant), performance of companies

Further test on the regression coefficient for strategic environmental relations practice was positive and significant (β = 22.152) with a t-value=0.902 (p-value<0.001). As shown in table below.

This implies that for every 1 unit increase in strategic environmental relations, performance of campanies in Kenya is predicted to increase by22.152 units and therefore H_0 is accepted.

Coefficients of strategic environmental relations

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.505	.759		1.983	.052
	S E	.534	.197	.338	2.714	.009

a. Dependent Variable: performance of companies

As presented in table above, there is a positive relationship between strategic environmental relations practices and performance of the firms listed at the NSE though the relationship is not statistically significant (β=22.152, t=0.902, p>0.05). The existence of the practices and the positive relationship is consistent with Nzovah (2012) findings that the factors that influence adoption and implementation of CSR practices included stakeholders' welfare and relations. This asserts Muhia (2012) assertion that firms have a sense of moral obligation to create a positive change in the society. By doing so, it is able to enhance its corporate image, visibility and eventually, performance.

CONCLUSION AND RECOMMENDATIONS

The study fails to reject the hypothesis (H_3) which sought to determine the influence of environmental relations practices on performance of the organizations. The study findings confirm a positive influence of firm environmental relations initiatives and firm performance. The existence of the environmental relations practices and the positive relationship is consistent with Nzovah (2012) propositions that the factors that influence adoption and implementation of CSR practices include stakeholders' welfare and stakeholder's relations. The findings asserts Muhia (2012) assertion that firms do have a sense of moral obligation to create a positive change in the society and by thus, the firms are able to enhance their corporate image, corporate visibility and corporate performance. The identified environmental relations practices are waste disposal initiatives, environmental cleaning programs, air pollution reduction activities, material recycling activities, tree planting activities, promotion of use of clean energy, water conservation and environmental rehabilitation and conservation.

Environmental relations practices positively influence firm performance. The organizations should therefore incorporporate and initiate such programs that include; waste disposal initiatives, environmental cleaning programs, air pollution reduction activities, material recycling activities, tree planting activities, promotion of use of clean energy, water conservation and environmental rehabilitation and conservation. Also, since environmental concerns have a global perspective, policy makers should streamline environmental CSR initiatives to ensure their sustainability and enhanced future firm performance. Environmental conservation programmes should be harmonized to attain their desired results. Further, employee relations practices should be encouraged at policy levels to ensure existence of a productive and motivated workforce.

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