

The Influence Of Stakeholder Identification On The Quality Of Corporate Environmental Reporting In Kenya

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Abstract

This study aimed at establishing the stakeholders that managers consider in the CER practices as well as the association between the quality of CER and stakeholder identification. The purpose is to find out if there is a difference in the attention that managers give to different stakeholders with respect to CER reporting decision and whether such difference may explain the variation in the quality of CER. A questionnaire was used to establish the stakeholder power, legitimacy urgency and salience in stakeholder identification. An assessment, using regression, was carried out to establish the association between the stakeholder identification attributes and the quality of CER. It is found that there are different stakeholders considered in the practice of CER but in varying measures. While Government, Shareholders, Customers and Environmental lobby groups are identified as the most significant stakeholder groups in CER reporting, only government is associated with relatively higher quality. There is thus a need for the government to use its special position in society to influence the production of CER that can achieve high quality. But there is also a need for other stakeholder groups to recognise their special place in demanding high quality CER through direct influence in terms of controlling flow of resources and markets to corporation but also petitioning government to continue playing its social role of guiding production of high quality CER. This research contributes to knowledge by establishing the significant stakeholders, the association of stakeholder identification to the quality of CER and by testing applicability of stakeholder theory in CER practices.

Keywords: Stakeholder Theory; Corporate Environmental Reporting; Quality of CER; Kenya

1.0 Introduction

The quality of CER achieved by firms and the factors influencing such quality has been the subject of research for some time (Brown & Fraser, 2006; Gray et al., 2001). Indeed the quality of CER in developing countries has been found to be low (Elijido-Ten, 2004; Morhardt, 2009) and the reporting scattered over various reporting media (Wangombe, 2013b). However more studies in developing countries are required to understand the behaviour in the respective context (Wangombe, Assad, & McFie, 2013). The use of different media to report varying qualities of CER implies that the stakeholder audiences are different and that manager choose to discriminate on what CER to report to which stakeholder group (Elijido-Ten, 2004; Francis, 1990; Tilling, 2004). This position negates the tenets of stakeholder theory that presumes attention given to different stakeholders by management is homogeneous.

When producing corporate environmental information, it is presumed that managers of such corporations have identified their specific stakeholders. Such stakeholders often have varied and conflicting interest and therefore it is important to know how managers choose amongst them and resolve the conflicts of environmental reporting (Gago & Antolín, 2004). Stakeholders that management deems as salient will attract attention (Mitchell, Agle, & Wood, 1997) including information disclosure relevant to them. Stakeholder theory of Corporate Environmental Reporting presumes that there are stakeholders to corporate environmental performance and that there is homogeneity in the expectations of the stakeholders (O'Dwyer, 2002). While there may be conflict among stakeholders' expectations, it is assumed in the reporting that a mechanism has been used to resolve such conflicts.

Shareholder theory is dominant in business education and management (Margolis & Walsh, 2003; Saint, 2005), but Stakeholder theory has “emerged as the dominant paradigm of corporate social responsibility” (McWilliams & Siegel, 2001, p. 118). Although stakeholder theory has evolved over time there is no consensus among stakeholder theorists about the scope and precise meaning of both “stakeholder” and “theory”. However it may be argued that “stakeholder theory” denote the body of research which has emerged by scholars in management, business and society, and business ethics, in which the idea of “stakeholders” plays a crucial role (Freeman, Harrison, Wicks, Parmar, & Colle, 2010). The main question is, has the theory developed well enough to explain and predict corporate environmental reporting?

This paper will help identify who the managers consider to be the stakeholders in relation to their environmental performance, and what salience such stakeholders will have. Some researchers have found that the choice of the publication media and the information to disclose is dependent on the intended audience, their perceived power, and the level of corporate conservatism that guided the companies’ management (McMurtrie, 2005). This paper will contribute to the understanding of how managers choose the stakeholders to report to and resolve the possible conflict arising. It will also shed some light into the understanding of whom the managers perceive as the salient environmental stakeholders. The findings will help explain whether managers feel the salience of stakeholder as deserving environmental information of the company. Therefore this paper seeks to answer the question, Who do corporate managers identify as the stakeholders of CER and how does such stakeholders perceived power, legitimacy, urgency and salience influence the quality of corporate environmental reporting? The rest of the paper is organised as follows; Section 2 presents the literature pertinent to the study, section 3 presents the methodology used, Section 4 presents the findings and discussions, Section 5 presents the conclusions, the implications and suggestions for further studies.

2.1 Literature Review

Prior studies have made use of content analysis to infer motives behind CER (Deegan, 2002; Deegan, Rankin, & Tobin, 2002; Wilmshurst & Frost, 2000) by testing the theoretical lenses explaining CED. O’Dwyer (2002) argue that content analysis only tell part of the story. For instance prior studies fail to consider if CED as a legitimating strategy actually does achieve the objective, whether the identified environmental stakeholders do consider environmental information in their decision making process and if management do perceive the necessity to report environmental information to the stakeholders. Ashforth and Gibbs (1990) for instance questions whether corporate social report (which includes CED) as a legitimating strategy is successful. Prior studies also fail to identify the factors considered in the resolution of possible conflict among environmental information users that face the management in the choice of environmental disclosure strategy. Indeed prior research tends to assume homogeneity of environmental information users, in terms of their norms, values and beliefs in the uptake of corporate environmental information (O’Dwyer, 2002). Gago and Antolin (2004) argue that stakeholders often have varied and conflicting interest and therefore it is important to know who they are and what their attributes are. Stakeholders that management deem as salient will attract attention including information disclosure relevant to them. Mitchell, et al. (1997) argued for the identification of stakeholders salience based on power, urgency and legitimacy. They hold the view that by using empirical approach one can see how executives actually determine who and what stakeholders really count. This calls for a direct enquiry to the management of corporations to identify what they consider as relevant environmental stakeholders, and what power, urgency, legitimacy and salience such stakeholders claim from the management. Gago and Antolin (2004) responded to this call by looking at stakeholders’ salience in corporate environmental strategy. Though they identified the stakeholder’s salience as perceived by the management, they did not relate to the management response to the salience. There is need to relate environmental reporting or lack of it to the stakeholder salience as perceived by the respective corporate management.

2.1.1 Stakeholder theory and its development

Several scholars have contributed to the development of stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984, 1994, 2001; Freeman et al., 2010; Jones, Wicks, & Freeman, 2001; Key, 1999; Mitchell et al., 1997; Treviño & Weaver, 1999). Some have critiqued stakeholder theory (Friedman, 1970; Jensen, 2001; Sternberg, 1997). Stakeholder theory is ascribed to Freeman (1984) who argued that managers have a moral obligation to consider and appropriately balance the interests of all stakeholders. While Friedman is celebrated as the shareholder theory Icon, Freeman takes the title for stakeholder theory. Freeman proposed stakeholder theory as an alternative theory of the firm that would explain the behavior of firm in contrast to the traditional models. Evan and Freeman (1993) consider the focus of stakeholder theory of the firm to be the redefinition of the purpose of the firm so as “to serve as a vehicle for coordinating stakeholder interests” (p 102). A basic consideration of stakeholder theory is that while organizations depend on stakeholders for success, stakeholders have interest in

the actions of the organization. Stakeholders become principals while management of an organization becomes the agents. Contrary to shareholders theory, Stakeholder theory views the purpose of the firm is to be serving the broader societal interests beyond economic value creation for shareholders alone (Saint, 2005). Corporate environmental reporting is part of the organization response to its stewardship to stakeholders. Freeman (1984) faulted the traditional models on two accounts: (i) they depicted the world of managers in some simplistic terms (such as dealing with employees, suppliers, and customers only) and (ii) they claimed that the firm existed to make profit and serve the interest of one group (shareholders) only.

Donaldson and Preston (1995) provide a framework for exploring those questions which focus the literature on stakeholder theory and corporate social responsibility. Particularly the question, "Why would anyone accept the stakeholder theory over alternative conceptions of the corporation?" (p. 66). They advanced descriptive, instrumental, normative and managerial thesis as the claims that are central to the stakeholder theory and which make the theory distinctive rather than a set of incongruent ideas about "stakeholders". They took the first three as separate perspective of stakeholder theory which they use to organize evidence and arguments to justify the theory (Donaldson and Preston 1995).

The foregoing requires a clear understanding of the stakeholders for corporate environmental reporting. Freeman (1984) defined stakeholders as, "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984, p 46). Such a definition may include both living and non-living things (Key, 1999) and therefore it would be difficult to operationalize in the determination of the audience for CER. Freeman (1984) definition would include natural force and environmental features such as gravity and ozone layer as well as burglars and terrorists and saboteurs, all whom cannot sensibly command accountability on the part of the organization (Sternberg, 1997). Clarkson (1995) defines stakeholders as:

persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future. Such claimed rights or interests are the result of transactions with, or actions taken by, the corporation, and may be legal or moral, individual or collective. Stakeholders with similar interests, claims, or rights can be classified as belonging to the same group: employees, shareholders, customers, and so on. (p. 106)

Clarkson definition offers a better alternative in identifying the audience for CER. Freeman (2001) has a similar concept of stakeholder; "Stakeholders are those groups who have a stake in or claim on the firm.... stakes require action of a certain sort, and conflicting stakes require methods of resolution" (p 102). Using the measure of extent to which stakeholders are vital or influential to a corporation's success, Wheeler & Sillanpaa (1997) identified four types of stakeholders: primary social, secondary social, primary non-social and secondary non-social. Guidelines setters such as (Fédération des Experts-Comptables Européen-FEE, 2000) and (GRI, 2006) have a similar concept of stakeholders. IASB financial reporting framework too has a similar concept of stakeholders but elevates shareholder to primacy over other stakeholders. This raises the question which stakeholder group(s) matter most in CER. Mitchell, et al. (1997) provides a possible answer. They focused on the identification of stakeholders and suggested a theory of stakeholder identification and salience based on power, urgency and legitimacy. They held the view that by using empirical approach one can see how executives actually determine who and what stakeholders really count. The normative value notwithstanding, one can map a multi-dimensional analysis of stakeholders and their effects on the firm. Mitchel et al., (1997) seems uncomfortable with the Freeman (1984) definition of stakeholders as "those affecting or affected" by the organization. Mitchel et al. (1997) argue that they offer their theory as a preliminary way of understanding which stakeholders really count so that meanwhile "managers must know about entities in their environment that hold power and have the intent to impose their will upon the firm." (p. 882). In corporate environmental reporting, managers will prepare information about and report to those stakeholders that have power, urgency and legitimacy to such information.

Freeman (2000) faults the typology of Donaldson & Preston (1995) and stakeholder identification of Mitchell et al. (1997) because they create the problem of "Separation Thesis" with each set of authors thinking that one side of the thesis holds more promise than the other. Freeman (1994) insist that the normative, descriptive, instrumental, and metaphorical (a term that he adds to the work of Donaldson and Preston) uses of 'stakeholder' are tied together in particular political constructions to yield a number of possible "stakeholder theories" making stakeholder theory a "genre of research". Jones and Wicks (1999) have attempted to reconcile these viewpoints on stakeholder theory by developing what they call the "Convergent Stakeholder Theory". They argue that each one of the two divergent approaches to stakeholder theory--a social science approach and a normative ethics approach cannot be complete without the other, and therefore they propose a new way of theorizing about organizations: the development of normatively and instrumentally sound convergent stakeholder theory.

Several authorities have criticized Stakeholders theory because it is fundamentally misguided and is incapable of providing better corporate governance, business performance or business conduct (Sternberg, 1997). Since stakeholder theory rejects the accountability to the owners of the firm but to all stakeholder, it is bound to fail because accountability requires a clear and common purpose (Sternberg, 1997) and a provide tradeoffs among the competing interests (Jensen, 2001). "I argue that it is logically impossible to maximize in more than one dimension purposeful behavior requires a single valued objective function" (Jensen 2001 p. 297). He finds such kind of model from the 200 years of work in economics and finance which argue that, in the absence of externalities and monopolies (and when all goods are priced) social welfare is maximized when each firm in the economy maximizes total market value.

The compromise is what Jensen calls "enlightened value maximization" and argue it is identical to "enlightened stakeholders theory". "Enlightened value maximization" utilizes much of the structure of stakeholder theory but accepts maximization of long term value of the firm as the criterion for making the requisite tradeoffs among stakeholders" (Jensen 2001, p. 298). The enlightened stakeholder theory utilizes the structure of stakeholder theory but recognizes the maximization of long term value of the firm. This in essence is similar to Freeman's idea that stakeholder theory is a "genre of theories".

2.1.2 Stakeholder Theory and Corporate Environmental Disclosure

Several environmental reporting researchers have approached their studies using a stakeholder theory lens (Brammer & Pavelin, 2008; Eljido-Ten, 2004; McMurtrie, 2005; Ullmann, 1985) . Ullman (1985) carried out a research to examine the relationships among social performance, social disclosure, and economic performance of U.S. firms. The research was motivated by the inconsistent findings from studies of the relationships among social disclosure, social performance, and economic performance of U.S. corporations. Ullman suggested that the main reasons for these inconsistencies were: (a) lack in theory, (b) inappropriate definition of key terms, and (c) deficiencies in the empirical data bases currently available.

Ullman (1985) suggested a three-dimensional model that can better explain the relationship between social disclosure and social and economic performance. The first dimension is the stakeholder power. Managers are likely to respond to the interest of the stakeholder that has power such as control of resources critical to the firm. Likewise where stakeholder power is low the demand of such stakeholders tends to be ignored by the organization. The second dimension is the strategic posture. This is the mode of response of an organization's management to social demands. The management will take an active posture to seek and influence their organization's relationship with important stakeholders in order to achieve optimal levels of interdependence. The third dimension is the Economic performance. This is important because it "determines the relative weight of a social demand and the attention it receives from top decision makers and influences the financial capability to undertake costly programs related to social demands "(p 553). Ullman thus argued that social performance and disclosure are means to manage dependence relationships and a firm may use either social performance or social disclosure or both techniques simultaneously to manage its relationship with its stakeholders. Ullman concluded that there does not appear to be a single reason why firms choose to disclose social information.

Following the work of Ullman (1985), other environmental reporting researchers have approached their studies using a stakeholder theory lens but with conflicting findings. While some find evidence that company management had tried to satisfy their environmental stakeholders and endeavor to satisfy the demands of stakeholder providing them with critical resources (Eljido-Ten, 2004; McMurtrie, 2005), Moneva & Llana (2000) find no significant evidence on stakeholder management or pressure on environmental reporting other than that of foreign parent companies. While Ullman (1985) argue that stakeholder and economic power influence social disclosure, Eljido-Ten (2004) and Brammer and Pavelin (2008) had contrary findings .

While most of the researchers reviewed have used instrumental stakeholder research perspective, at least McMurtrie (2005) have used a managerial stakeholders approach. However these researches seem to support the shareholders point of view much as they purport to be stakeholder oriented. But this is to be expected because instrumental stakeholder thesis commonly applied by these researches has tendency to support shareholder theory perspective (Saint 2005) particularly because of trying to link social and environmental reporting to firm performance (Eljido-Ten, 2004; Saint 2005; Ullman 1985). However, this may be expected to be the case because shareholders are part of stakeholders (Freeman 1994). There is danger in using instrumental stakeholder perspective. Beside the possibility of reducing the research to a mere analysis of environmental reporting and firm performance, instrumental stakeholder theory is a double edged sword (Saint 2005). The research findings may suggest balancing stakeholder interests through environmental reporting may have a negative or no effect on financial performance

measures as Brammer and Pavelin, (2008) might suggest. This would be a contradiction because it means some stakeholders interests are maximized at the expense of shareholders interest, a conflict implied in Sternberg (1997) and Jensen (2001).

3.0 Methodology

The ontological assumption for this paper is both objectivism and subjectivism but leaning more on the subjectivism spectrum as presented in (Morgan & Smircich, 1980, p. 492). The objectivist extreme ontological assumption that “reality as a concrete structure”, would imply that identifying stakeholders for corporate environmental, and relating it to the quality of CER is a world “composed of a network of determinate relationships” with reality that is to be “found in concrete behavior and relationships” (Morgan and Smircich 1980, p 495). An assumption that leads to the conclusion that stakeholder identification is a phenomenon that can lend itself to “accurate observation and measurement” is too rigid because it ignores the human choice involved. Likewise, the subjective extreme ontological assumption that “reality is a projection of human imagination” would imply that identifying CER stakeholders and associations between such identification and the quality attained, is a world of “transcendental” reality in which the researcher is a “pure spirit” ignoring the influences of the social and physical environment surrounding him.

This paper takes the ontological assumption between second and the third levels in Morgan and Smircich 1980 (p 495) from the subjectivism spectrum. In the objective spectrum a basis is provided for testing currently proposed theories of stakeholder identification and determinants of the quality of CER, while the subjectivism recognizes the role in social constructionism built up from the perceptions and consequent actions of social actors (Saunders, Lewis, & Thornhill, 2007).

An exploratory and descriptive research design is adopted for this paper so as to address the question; what are the stakeholders’ power, legitimacy, urgency and salience perceptions of the managers in the identification of stakeholders to whom corporate environmental information is reported. A questionnaire was designed to measure a manager’s perception of the stakeholders attribute in relation to the environmental demands on the company. Managers were asked to score attributes (power, legitimacy urgency and salience) on a scale of 1 to 5 for the entire list of identified stakeholder. Quality of CER in Kenya were obtained from the work of Wangombe (2013b)

The population of interest was the large companies in Kenya. Large companies were selected because they are expected to be more environmentally conscious and have been found to report CER than smaller firms. A large firm was defined as one with more than one hundred employees (100) and a turnover of over one billion shillings. A total of 325 companies were identified. Similar approach was used in Wangombe (2013b). The target respondents are the chief executive officers of the identified firms. Naturally, one manager, no matter how senior, cannot speak exclusively for a complex organization but as the senior most member of the management team, the CEO of the corporate firm can be expected to know the 'facts' sought and to have the firm’s authority to respond accordingly, or to delegate to an appropriate member of the management.

This research sought to find out the stakeholders to whom environmental information is addressed. The environmental reporting guidelines such as GRI (2006) have identified environmental stakeholders to who CER is directed. The identified stakeholders are; Government, Shareholders, Customers, Suppliers, Employees, Mass media, Environmental lobby groups, business association, local community, international community (FEE 2000; GRI 2006.). This research will help identify which of these stakeholders are actually considered by managers in CER decision. Respondents were asked to rank the extent, to which stakeholders have power, urgency, legitimacy and salience in CER. The attributes are identified following Gago and Antolin (2004, p 68) as follows:

- i) Environmental stakeholder power was defined as the stakeholder’s capacity and the ability to demand environmental reporting from a company. The power can be in the form of (i) granting or denying economic rewards (such as finances, market, supply of good/services, contracts) (ii) taking direct or legal action or (iii) by influencing the company’s public image
- ii) Environmental Legitimacy is the extent to which a company consider stakeholders demand for environmental reporting from the company to be appropriate.
- iii) Environmental Urgency is the importance the stakeholders give their environmental information demands and the urgency with which they want the company to attend to their demand for environmental reporting.
- iv) Environmental salience is the attention, time, priority and resources in terms of environmental reporting that the company dedicate to the stakeholders’ environmental information demands.

For the purpose of identifying stakeholders that managers considered more important with respect to environmental reporting, data collected was subjected to a descriptive and comparative analysis. Since the data did not exhibit a normal distribution, a Wilcoxon Signed Rank Test score was used to assess whether there is a significant difference among the arithmetic mean of the attribute value of each stakeholder. To assess the association between the quality of CER and stakeholder identification attributes of power, legitimacy, urgency and salience, a rank regression analysis was carried out. Data transformation was carried out using a van der Waerden rank transformation. The regression model used;

$$QCER = F(P_i, L_i, U_i, S_i)$$

Where Q= Ranked transformed values of Quality of CER (Measured as CERI score developed in Wangombe, 2013b)

- P_i = Power of stakeholder i
- L_i = Legitimacy of stakeholder i
- U_i = Urgency of stakeholder i
- S_i = Salience of stakeholder i

Hence the regression used was the form:

$$Q = a + b_1P_i + b_2L_i + b_3U_i + b_4S_i + e$$

4.1 Research Findings and Discussions

Data was sought from 325 companies identified for this research. A total of 40 questionnaires were received after the initial response period of two months. A follow up with telephone calls and emails led to a receipt of a further 32 questionnaires in a period of a further two months. The 72 questionnaires formed the basis of the analysis in this research. As aforementioned, the quality scores used were obtained from the Corporate Environmental Reporting Index Measures identified and measured by Wangombe (2013b).

The strength and direction of the linear relationship between two variables can be estimated using correlation coefficients such as the Pearson product-moment correlation. Where the data fails to pass the normality tests, as is the case in this research, the Kendall’s rank correlation coefficient and the Spearman rank order correlation coefficient are more appropriate. However, in the Kendall rank correlation is preferred because it is superior (Griffiths, 1980).

4.1.2 CER Stakeholders

The research sought to find out the stakeholders that managers identify in reporting CER. The questionnaire included 8 stakeholders but also provided room for the respondents to include any other groups they thought to be environmental stakeholders. Respondents did not identify any other stakeholder groups. For each of the stakeholder, the respondents were asked to rank the extent of respective stakeholder attributes (Power, Legitimacy, Urgency and Salience). The following table (Table-1) presents the median score for each attribute in relation to each stakeholder and the significance of the score above the median score. The significance of the score is measured using the Wilcoxon Signed Rank Test.

Table -1 Significance of Stakeholder Attributes

Stakeholder	Median Score and Significance							
	Power		Urgency		Legitimacy		Salience	
	Median	Sig	Median	Sig	Median	Sig	Median	Sig
Government and its Agencies*	4.5	0	4.5	0	4.5	0	4.5	0
Shareholders*	4.5	0	4.5	0	4	0	4.5	0
Customers*	4	0	4	0.001	3.5	0.001	4	0
Suppliers	3	0.828	3	0.406	3	0.861	3	0.448
Employees***	3	0.103	3.5	0.001	3.5	0.019	4	0.002
Lenders***	3.5	0.27	3.5	0.04	3	0.234	3.5	0.32
Environmental lobby groups*	3.5	0	4	0	4	0.002	4	0
General Public/Neighbours***	3.5	0.057	3.5	0.004	3.5	0.012	3.5	0.001

*stakeholder significant: *** stakeholder significant in some attributes but not others.

The results of this study show that in making CER decisions, some stakeholders are considered more significant than others. In considering the relative importance of a given stakeholder, both the median score and the significance of the scores above the cut-off point 3 are evaluated. The median score for Government and its Agencies was highest for each of the attributes. The score above the cut –off point of 3 were all significant (Sig=0.0). Therefore the government is considered most significant environmental stakeholders. Shareholders are second most significant stakeholder followed by Environmental Lobby Groups and Customers in that order.

The identification of Government as the most significant stakeholder in environmental reporting lead to the suggestion that manager will report CER in so far as there is demand for it from the government. But if the government has power, urgency legitimacy and salience to demand environmental reporting, why is the quality of mandatory CER so low? The answer may lay in the possibility that the managers understanding of quality of CER are different from the one used in Wangombe (2013b) and whose measures are adopted in this study. But it may also be that while the companies know that the government has that power, there also know that it is not executing such power in demanding high quality CER.

The significance of the environmental lobby groups in CER decision is confirmed for the urgency, legitimacy and salience attributes. However the significance is not confirmed for the attribute of power. Recognition of Environmental lobby group as a significant stakeholder acknowledges the value of legitimating strategies but also possible coercive isomorphism.

Suppliers are the least significant among the stakeholders. The median for supplier was lowest all through and the factor was the only insignificant one for each of the attribute. The significance of The significance of lenders is in more doubt because the significance is rejected in three of the attributes (power, legitimacy and salience). This implies that in deciding to report environmental performance, suppliers are not a significant factor. It also implies that supplier do not exert any meaningful pressure on the companies to report on their environmental performance. It can be concluded that so far, suppliers' power over CER does not exist in Kenya. This finding is unfortunate. It means that once sellers of intermediate products secure a sale, they are not concerned about the environmental consequences of using their product or of converting their product into the next product in the value chain.

While the significance of employee's urgency, legitimacy and salience is accepted, the power is not. However, there is more evidence than otherwise that the hypothesis based on the "employees' power" for CER in Kenya is significant. The stakeholder significance assessments confirm that lenders have the urgency but not the power, legitimacy and salience to demand environmental information. There is more evidence than otherwise that lenders power for CER is either very low or does not exist in Kenya. There is overwhelming evidence to reject lenders power hypothesis.

The acceptance of the significance of some stakeholders and the rejections of others in CER confirms that much as CER may be a stakeholder management exercise, some stakeholders are considered more salient than others. Managers indeed are choosing who to report to and at what level of quality. Therefore the choice of CER quality is influenced by other forces besides stakeholder management. The following section relates quality of CER to stakeholder identification.

4.1.3 Quality of CER and Stakeholder Identification

The second part of the research sought to find the association between the quality of CER and the stakeholder power, legitimacy urgency and salience. The purpose is to assess whether different stakeholders have different influence on the level of quality of CER. Table-2 presents the t-scores measuring significance of the association between the stakeholder identification attribute qualities of CER (Significance if $t < 0.05$). Government and its Agencies have been found to have the most consistent significance in association between Quality of CER and stakeholder identification attributes. The identification of different power, legitimacy, urgency and salience of stakeholders in CER reporting in section 4.1.2 above implied that CER managers choose whom to report CER Wangombe (2013b) had observed that different media have been used to report different qualities of CER suggesting that manager choose what level of quality to report and to which stakeholder. The regression finding in this section confirms this suggestion.

Government power, legitimacy, urgency and salience are the only factors that are consistently associated with quality of CER. Although, Employees have both power and legitimacy they do not have urgency and salience to influence quality of CER. The significance of power and legitimacy of employees is consistent with their identification of the group as a significant stakeholder to CER. However the fact that they do not have urgency and salience cast doubt as to whether they are considered

significant contender to demanding and getting CER of high quality. Nevertheless, employee rank ahead of other stakeholders safe for the government.

Table 2: Significance test t- scores

	Power	Legitimacy	Urgency	Saliency
Government and its Agencies	0.00	0.00	0.009	0.011
Shareholders	0.083	0.187	0.196	0.75
Customers	0.37	0.215	0.865	0.778
Suppliers	0.615	0.495	0.585	0.133
Employees	0	0	0.591	0.448
Lenders	0.151	0.031	0.944	0.189
Environmental lobby groups	0.64	0.023	0.892	0.395
General Public/Neighbours.	0.022	0.162	0.244	0.297

It is observed that the most significant stakeholder in CER reporting is the Government. The quality of CER will increase if corporations are pressurised by the government power to report such quality. The position taken by CER guidelines such as GRI 2006, CEC 2001, and FEE 2000, that there pertinent stakeholder to CER must be evaluated with the understanding that managers do not consider such stakeholder to have equal saliency and therefore may not accord them equal attention.

5.1 Conclusion and Implications

The stakeholders to CER are varied as suggested by CER frameworks such as GRI (2006) , CEC 2001, and FEE 2001. However, managers do not consider different stakeholders to deserve equal attention in CER as may be suggested by Stakeholder theory positions of Freeman (1994). Instead, manager do rank stakeholder, and consider some more salient than others as implied by Clarkson (1979). Government, Shareholders, Customers and Environmental lobby groups are the most significant stakeholder groups in CER reporting. However such significance does not necessary result into high quality CER as evidence by the low quality of CER among the corporations. Moreover government saliency and identification is the only one that has a significant association with quality of CER.

Since government is elevated to have a higher saliency than other stakeholders, voluntary CER will not attain the high quality CER sought in this research. Governments must take their role in demanding CER and establish the quality it must meet. The assertion based on stakeholder theory that managers may use CER reporting as a strategy to manage and balance stakeholder interest is in this case found to be weak. It is unlikely that stakeholder management and balancing act are the only forces that come to play in CER decision. The fact that managers do not find other stakeholders salient enough to warrant attention in CER reporting has other implication. Wangombe, (2013a) has observed that stakeholders consider CER relevant to them but the relevance varies from one stakeholder group to the other. On one hand this research confirms Wangombe (2013b) finding that stakeholders are not considered in equal measures. But it also questions the extent to which these stakeholders have put pressure through CER demand to warrant saliency in the perception of corporate managers. From environmental lobby groups to customers, there is not sufficient clamour for CER to attain a high quality.

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