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FACTORS INFLUENCING THE IMPLEMENTATION OF SUSTAINABLE EMPLOYMENT PRACTICES BY SMALL AND MEDIUM ENTERPRISES IN NAIROBI, KENYA

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MDF-123563

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF SCIENCE IN DEVELOPMENT FINANCE

STRATHMORE BUSINESS SCHOOL
STRATHMORE UNIVERSITY
NAIROBI, KENYA

APRIL 2025

DECLARATION AND APPROVAL

Declaration by Student

I declare that this thesis is my original work and has not been presented for a degree in this or any other university or for any other award. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Sign: …… Date: 24/04/2025

Lucy Nderitu

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Approval by Supervisor

This thesis has been submitted for examination with my approval as a university supervisor.

Sign …… Date: …….

Strathmore Business School

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ABSTRACT

The global sustainability goals are compelling business enterprises of all kinds to take action by implementing organization-wide sustainability initiatives. While larger corporations increasingly recognise the importance of sustainability and make significant strides, small and medium enterprises (SMEs) appear to lag behind. These smaller enterprises are thought to face challenges when it comes to implementing sustainability initiatives. The study aimed to examine the factors affecting SMEs in adopting sustainable employment practices. In particular, the study sought to determine how resource slack, upper management commitment, organizational culture, and employment regulations framework influence SMEs' adoption of sustainable employment practices in Nairobi County, Kenya. The contingency theory and the triple bottom-line theory underpinned the study. A positivist research philosophy was followed, and a descriptive cross-sectional research design was adopted. A sample of 400 SMEs from a population of 90,000 SMEs in Nairobi County was targeted, from whom HR officers were selected using a purposive sampling technique and surveyed using structured questionnaires. Descriptive and inferential statistics were employed for data analysis, and findings were published using tables and figures. Descriptive statistical analysis reveals that, while respondents indicated a moderate positive perception of leadership support for sustainable employment practices, the overall perception of resource slack, organizational culture, and employment regulations were relatively low, suggesting areas for improvement. Inferential statistics demonstrate that resource slack, organizational culture, and top management support significantly influence the adoption of sustainable employment practices, with organizational culture having the strongest effect, followed by top management support. Employment regulations, on the other hand, were found to have no significant effect on sustainable employment practices. These findings underscore the value of robust corporate culture and supportive leadership in driving sustainable employment practices. Therefore, the study concludes that resource slack, culture, and leadership support are the primary drivers of sustainable employment practices in SMEs, with organizational culture and leadership support being the most crucial factors for success in sustainable employment practices. Therefore, at policy level, the study recommends creating targeted policies and incentivizing SMEs to adopt sustainability frameworks for their employment practices. At practical level, it proposes that SMEs should strengthen their internal structures to drive sustainability efforts effectively.

Keywords: implementation, sustainable employment practice, employment practices, resource slack, top management support, organizational culture, employment regulation.

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ABBREVIATIONS AND ACRONYMS

CSR:	Corporate Social Responsibility
ESD:	Education for Sustainable Development
EU:	European Union
HR:	Human resource
HRM:	Human resource management
KNBS:	Kenya National Bureau of Statistics
MSMEs:	Micro, small, and medium enterprises
OECD:	Organisation for Economic Co-operation and Development
SDG:	Sustainable Development Goals
SHRM:	Sustainable human resource management
SMEs:	Small & Medium Enterprises
TBL:	Triple bottom-line theory
UN:	United Nations
WTO:	World Trade Organization

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DEFINITION OF TERMS

Employment regulation: the laws, rules, and standards that govern the relationship between employers and employees (Inversi et al., 2017). These regulations are designed to protect the rights of workers, ensure fair treatment, and promote safe and healthy working conditions.

Organizational culture: the set of shared values, beliefs, behaviours, and norms that shape how people within an organization interact and work together (Assoratgoon & Kantabutra, 2023). It is the "personality" of an organization, influencing everything from decision-making to how employees treat each other and their customers.

Resource slack: the excess resources available to an organization beyond what is currently needed to sustain its operations (Boso et al., 2017). These resources can include financial capital, human resources, equipment, time, or any other assets that can be utilized to improve the organization's performance and resilience.

Small and medium enterprise: a small and medium enterprise (SME) is a business that maintains the number of personnel, annual turnover, capital assets, input usage, production capacity, and level of technology adoption below a certain threshold (Cantele & Zardini, 2020).

Sustainable employment: involves creating work environments that are economically viable, socially inclusive, and environmentally responsible (van Dam et al., 2017). It aims to ensure long-term success for businesses while contributing positively to society and the planet.

Upper management support: the backing and active involvement of the organization's top executives in strategic initiatives, policies, and projects (Wong et al., 2020). This support is crucial for the successful implementation and sustainability of key activities within the organization.

ACKNOWLEDGEMENT

I thank the Divine Universe for aligning my desires to study and successfully complete my MSC. I'm grateful to my supervisor for creating time to review my work and accord me appropriate guidance as and when required. I'm grateful to my parents, spouse, children, friends, and colleagues for always being the constant motivation behind the scenes; the great support system I have always required to accomplish this stunning milestone; the push behind the success. For your financial and emotional support accorded to me since I began this journey…I celebrate you all. Ahsanteni!!!!

DEDICATION

This thesis is dedicated to my parents, my partner, and my children. They are my motivation, my foundation, and my purpose. Their love inspired me to discover my Ikigai and to strive to leave a prosperous legacy for the generations to come.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The ongoing global sustainability movement and related trends have significantly become influential in the corporate landscape, emerging as a key determinant of competitive advantage and business success (Abhayawansa et al., 2021). The concept of sustainability essentially involves a firm's responsibility to meet the needs of current stakeholders (customers, investors, employees, communities, government, pressure groups) while making sure that the ability to fulfil the needs of future stakeholders remains uncompromised. Therefore, contrary to popular belief, sustainability is not constrained to just addressing societal needs but also involves maximising shareholder value without the depletion of resources. Put simply, sustainability entails making a social, environmental, and economic impact. According to Martins et al. (2022), the sustainability pressure is progressively driving a shift in corporate values and activities, with companies increasingly expected to act as responsible citizens.

The age of globalization has seen the small and medium enterprises (SME) sector become the engine of economic growth and development worldwide. However, the effect SMEs have on the environment is adverse and profound. As reported by the Organisation for Economic Co-operation and Development [OECD] (2018), an international economic institution, SMEs are responsible for 60-70 percent of the effect on the environment. Further, as Madrid-Guijarro and Duréndez (2024) explain, "SMEs consume approximately 13 percent of energy but account for up to 50 percent of industrial pollution in the Asia-Pacific region alone." In the European Union (EU) region, at least 70 percent of emissions can be traced to the SME sector. Ndubisi et al. (2021) also say, "SMEs in the manufacturing sector generate the majority of polluting activities and negative environmental impacts despite their insignificant individual environmental footprints." It is, therefore, paramount for SMEs to embrace sustainable measures sooner rather than later.

Notwithstanding their economic significance, unlike large and established corporations, SMEs' ability to mitigate adverse social and environmental effects is often limited. This is because SMEs face several challenges in adopting sustainability measures. For instance, Moursellas et al. (2024) note that SMEs do not often incorporate sustainability into their long-term goals and strategies. Usually, major corporations frame the aspects of environmental, social, and

governance (ESG) drivers into their strategic plans not only to ensure compliance but also to drive innovation, ensure social and environmental impact, and promote business growth. On the other hand, SMEs overlook the significance and benefits of ESG programs. United Nations (UN) Global Compact's report indicates that "fewer than half of companies with a turnover under $25 million report on their sustainability performance, while the big corporates with revenues above $1 billion, 94% do." There is a need for SMEs to understand the importance and business case for ESG, both to the company and stakeholders. It is for this reason that Ojiambo (2023) suggests that, with greater access to technology, know-how, and resources, this is where larger companies can help.

The World Trade Organization's (WTO) 2016 World Trade Report, themed "Levelling the Trading Field for SMEs," stresses the need for "SMEs to participate in international trade by looking at trends of change of international setting for them, and the role that multilateral trading system can play to encourage more dynamic and inclusive SME participation in the global market" (Prasanna et al., 2019). The report highlights that SMEs often face disproportionate barriers to international trade compared to larger and more established firms. It further underscores the importance of the SME sector engaging in sustainability programs as a means to overcome these barriers and enhance its ability to compete in global markets. The SME sector is vital in achieving sustainable impact as it is the world's largest employment sector with a significant impact on economic growth and development (Martins et al., 2022). As sustainability goals and measures increasingly become important, it is crucial to involve SMEs, given the challenges they face.

Research indicates that SMEs struggle to implement effective action due to many factors. In their study, Setyaningsih et al. (2024) identify "financial constraints, general attitude, knowledge gaps, technological hurdles, organizational complexities, socio- environmental and regulatory frameworks" as the most daunting challenges facing SMEs in the United States and Europe in their pursuit of sustainability. However, through extensive research, Abdullah et al. (2023) identified some 20 odd factors, but only five were the most important. According to the scholars, in almost all cases, "complexities in implementing the 6Rs (reduce, reuse, recycle, recover, redesign, and remanufacture), ineffective controlling systems, weak law enforcement systems, overdependence on fossil fuels, and lack of standardized approach to carbon auditing were faced by SMEs when adopting sustainable manufacturing."

On the other hand, a combination of regulatory pressures and market demands have been presented as drivers of sustainability (Wang et al., 2022). A number of governments, especially in first-world countries, continue to implement stringent environmental regulations compelling business enterprises to adopt sustainable measures—for example, "EU's Corporate Sustainability Due Diligence Directive forces businesses to perform environmental and human rights due diligence across their value chain" (Foot, 2022; Lafarre, 2023). At the same time, the growing consumer preferences for sustainable products and services are forcing SMEs to embrace sustainability and consider integrating them into their strategic operations. In the spirit of becoming compliant and meeting market demands, SMEs can benefit from attracting and retaining customers and other stakeholders who value sustainability.

Beyond American and European markets, the factors influencing the integration of sustainability into operations in Asia have been documented. An elaborate study by Lathabhavan (2022) reveals that the issues SMEs face in the continent and their severity vary between countries. However, they fall into any of the following groups: workforce, organizational, socio-economic, policy, environmental, and technological determinants. Kumar et al. (2023) identified up to 12 problems SMEs in India face in adopting sustainable practices; however, in their view, the "lack of resources" and the "lack of employee expertise" stood out as the most influential challenges. From Saudi Arabia's perspective, Alfazzi (2023) believes the biggest concerns are the availability and access to finance, skill gaps, and lack of legal frameworks.

Generally, it is thought that the factors faced by SMEs in Africa differ from those in developed economies. This notion was tested by Amoah et al. (2021), who looked into the determinants of sustainability practices and goals in Sub-Saharan Africa. Finance-related constraints, market share expansion, acceptability, technology, and R&D were recognized as the leading challenges facing SMEs' sustainability efforts. On the other hand, Ajibola (2020) believes leadership skills, financial management practices, work environment, alignment of business community with sustainability, perceived benefits stakeholder management, and linking innovation management to sustainability are the biggest factors in shifting towards sustainability. From a Malawian perspective, as Bello and Kamanga (2020) document, challenges include "lack of resources, lack of clear CSR policy and government support, lack of coordination, mismanagement of CSR resources by communities, and lack of awareness."

In Kenya, the factors of going green among corporations have been highlighted. Technological innovation plays a critical role in helping SMEs adapt effectively to the growing environmental sustainability pressure, as Chege and Wang (2020) opine. Technology innovation as a catalyst for sustainable development compels SMEs to be indebted to innovate by developing environmentally friendly strategies. Gituma (2017) is of the opinion that "competition, information technology, domestic attachment, labor affordability, and capital accessibility" in that order, are the most critical drivers of achieving sustainability for women-owned SMEs. On the other hand, in the agribusiness sectors, Gachuhi and Awuor (2019) recognized that access to human resources, financial constraints, technology, and supply chain issues are challenges SMEs face in becoming sustainable.

Ejibe et al. (2024) recognise limited financial resources, time, and expertise as the significant challenges limiting SMEs' adoption of eco-sustainable practices into their human resource management (HRM) function. Another notable challenge, according to the scholars, includes insufficient support/commitment from organizational leaders and a lack of inclusive culture. Al Qaydi and Aris (2021) listed 36 factors broadly categorised into five themes – compensation, HR planning, training & development, ethical climate, and work environment –influencing SMEs' efforts toward sustainable HRM performance. Cheema et al. (2015) believe recruiting for organizational fit and training and development are the cornerstone for green HRM practices; Bimo and Sulistyaningsih (2024) single out leadership, knowledge acquisition, human factors, organizational commitment, environmental orientation, market demand, and corporate social responsibility (CSR) as the key drivers of sustainable HRM most of which Kaur et al. (2024) approve.

1.1.1 Factors Influencing the Adoption of Sustainable Employment Practices

In today's competitive world, it is not just enough to attract customers if the business will not eventually retain the contract and cultivate loyalty from the customer. To attain customer loyalty, businesses must understand and appreciate their growth cycle if they're to stay ahead of the client satisfaction curve. Despite their underwhelming engagement in responsible business practices, the ongoing push for sustainability worldwide is compelling SMEs, regardless of their sizes and the prevailing economic conditions, to embrace responsible business practices and ensure social and environmental impact.

In light of the above, data shows that the adoption of "Environmental Management Systems (EMAS, ISO 14001) or other systems" among SMEs is growing (Chen & Woeffray, 2022). SMEs use these platforms in an attempt to enhance sustainability. However, according to Dey et al. (2018) and Yang et al. (2020), many SMEs face challenges in implementing EMS, EMAS, and other systems. These challenges have been attributed to perceived complexities associated with sustainability practices, limited resources, and even lack of awareness. Research by Chaudhuri et al. (2022) points out that these SMEs' "organizational characteristics make it more complex for them to employ environmental management practices because they are less likely to innovate and also less able to manage competitive opportunities related to environmental issues."

Yet, organization-related challenges are often difficult to pinpoint as SMEs must be flexible enough and demonstrate the identification and fulfilment of the needs and expectations of stakeholders (Romano et al., 2023). It is also worth noting that, unlike established enterprises, SMEs are resource-constrained, limiting their ability to pursue and invest in social and environmental goals and practices (Jamwal et al., 2023; Jayasundara et al., 2020). These limitations stem from several factors, including limited access to capital, high upfront costs, and short-term business focus. On top of that, the attitude and perceptions the management or owners may have towards sustainable impact can sometimes be an enabling factor, but they mostly deter investment in sustainable business practices.

Achieving sustainable employment faces several key challenges. The factors SMEs face have been related to "resources, time, and knowledge when implementing social or environmental responsibility" (Durrani et al., 2024; Zastempowski & Cyfert, 2021) and the complexities firms in the SME sector face in defining a business case for overall sustainable impact (Durrani et al., 2024). Due to their lack of experience in managing social and environmental performance, SMEs struggle to achieve sustainable supply chains, cut waste, and ensure a low-carbon footprint, which often translates into underwhelming social and environmental impact compared to larger corporations. Often, SMEs focus more on economic performance over social and environmental aspects of performance to survive and remain competitive (Moursellas et al., 2024). This has since been linked to shortcomings related to resources, time, expertise, and experience.

Additionally, it is standard practice for small business enterprises such as SMEs to disproportionately focus on core short-term business goals, response to emergencies, and

business survival, thereby neglecting secondary goals such as sustainable business impact (Katare et al., 2021). “Pressures usually indicate the perception of expectations from various external stakeholder groups (customers, suppliers, partners, community, and interest groups), which require organizations to become more sustainable or adopt specific standards or models” (Preuss et al., 2024). Also, regulations can significantly influence the adoption of green business practices. Edeigba and Arasanmi (2022) and Permatasari and Gunawan (2023) found that government policies and regulations exert pressure on SMEs to embrace more sustainability measures.

According to Van Der Lippe (2019), from Europe's perspective, "globalization, economic fluctuations, the aging population, technological advances, and rapidly changing social structures pose new challenges to creating a sustainable workforce." As far as sustainable HR is concerned, Subramanian and Suresh (2023) identified nine economic sustainability determinants, but the most important ones included macroeconomic policies, employment guarantee or income stability, and profitability. However, Azizi et al. (2022) believe that “organizational attitude and culture, leadership style, and bonus and ergonomics are strong influencers of sustainability in HR practices.”

Career development and organizational learning involve creating, retaining, and transferring knowledge within an organization. Regarding career development, skills, competencies, leadership development, and motivation directly and substantially affect sustainability efforts (Badar et al., 2023). This means that when sustainable employment practices are not integrated into career development programs, it becomes a challenge to ensure continuity in sustainability. The same applies to organizational learning; it is crucial to embed principles of sustainability into adaptive capacity, knowledge sharing, and innovation. In addition, engaging employees early on in sustainability projects can go a long way in garnering their support for critical initiatives such as adopting sustainable employment practices.

Furthermore, the lack of knowledge, orientation, and awareness; CSR as an integral part of the organizational strategy; environmental concerns internally required from top-bottom and bottom-top approach, budget and cost; and HR's department's responsibility to build competencies in teams have also been singled out as possible challenges (Tanveer et al., 2024). Employees' lack of knowledge and skills is a concern because certain competencies are necessary to realize sustainability in employment and the entire HRM practice. Budgetary constraints are also worth noting because SMEs, by design, lack the financial resources to

pursue sustainability projects. Other factors include alignment with company goals, government support, attitude and awareness of sustainability, and company size.

The current research explored the effects of resource slack, top management commitment, organizational culture, and employment regulations as factors influencing the adoption of sustainable employment practices by SMEs in Kenya. Resource slack, which is the excess resources (financial capital, human resources, equipment, time, or any other assets) available to an organization beyond what is currently needed, can provide the flexibility for an SME to adapt quickly and sufficiently to sustainability pressures (Boso et al., 2017; Okolo et al., 2023).

Top management support, that is, the degree to which the backing and active involvement of the high-ranking officials in strategic initiatives related to sustainability is believed to be crucial to the success of sustainable employment outcomes (Alkaf et al., 2023). This is because it ensures strategic alignment, resource allocation, and decision-making towards sustainability initiatives. Also, a strong culture that prioritizes sustainability can have a profound effect on an organization's overall sustainable employment goals (Medina-Álvarez & Sánchez-Medina, 2023). According to Spraul and Höfert (2021), employment regulations play a significant role in shaping sustainable employment practices by providing a framework that ensures fair, safe, and inclusive working conditions.

1.1.2 Sustainable Employment Practices

Sustainable employment is a component of the broader concept of sustainable human resource management (SHRM) that aims to "make it possible for organizations to achieve the financial, social, and environmental objectives of its internal and external stakeholders" (Mohiuddin et al., 2022). Therefore, SHRM is the nexus between HRM practices and sustainability that, according to Pellegrini et al. (2018), makes an immense contribution to healthy employee relations, enhanced employee well-being, work-life balance, talent attraction and retention, innovation and creativity, value-added economy, increased employee engagement, positive organizational culture, participative and productive leadership, job security, excellent brand reputation, compliance and risk management, customer loyalty, competitive advantage, and more. Mariappanadar (2019) further points out that SHRM's "triple-bottom-line" approach can make employees an “influential force in the community along with active participation” within organizations.

Therefore, sustainable employment is a product of a dedicated SHRM approach. Relating sustainability to employment, van Dam et al. (2017) cite that this is where "employers try to organize work in such a way that their human resources are fostered rather than exploited in order to allow these resources to be deployed in the future." Elements that constitute sustainable employment practices vary. However, generally, as proposed by van Dam et al. (2017), Verma (2023), and Farzana (2020), employability, affective commitment, work engagement, age-supportive workplace, flexible work models, focus on employee well-being, diversity and inclusion programs, and intrinsic job value is common indicators of employee sustainability.

As Purgał-Popiela (2024) notes, there is a growing interest in sustainable HRM practices among SMEs with a focus on promoting fair labour practices, social concerns, and reducing environmental impact. However, in their analysis, Iqbal et al. (2019) and Onwuchekwa (2023) observed that while some SMEs are proactive and made significant steps in integrating social- and environmentally friendly values into their employment practices, a vast majority, particularly the smaller ones, still lag behind. This is because they face several challenges related to resource constraints, lack of awareness, perceived lack of direct impact, and more. According to Purgał-Popiela (2024), the key areas of focus for SMEs looking to invest in sustainable employment include fair labour practices (fair wages, conducive working conditions, and adherence to labour laws), environmental impact (energy efficiency and waste reduction) and social impact (promoting diversity, equity, and inclusion [DEI]).

1.1.3 Small & Medium Enterprises in Nairobi

The World Bank and the International Finance Corporation recognise SMEs as enterprises with fewer than 500 employees. On the other hand, annual turnover as a variable, companies making less than USD 7.5 million annual turnover are considered SMEs. This figure varies across different countries. The same applies to capital assets, production capacities, and input usage as variables. However, Permatasari and Gunawan (2023) claim that the classification of SMEs, along the parameters of management practices, level of innovation, and sector-specific factors, can be debatable. For this study, the Ministry of Co-operatives and Micro, Small, and Medium Enterprises (MSMEs) Development's classification was used where the study targeted small enterprises with Kes.500,000 – Kes. 5 million annual turnover and 10-49 employees, medium enterprises with KES 5-100 million annual turnover and 51-250 employees.

SMEs can also be formal or informal. A formal SME is officially registered and operates within

the legal and regulatory framework of its respective country, whereas an informal SME is not registered (World Bank, 2022). This means that formal SMEs are recognized by government authorities, comply with tax obligations, and adhere to labour laws and other relevant regulations. They tend to have better access to financial services, such as bank loans and credit, compared to informal SMEs, which operate outside the legal framework. According to IFC, "72%, 20%, and 8% of SMEs operate in the trade and service sector, manufacturing sector, and agriculture & other sectors, respectively." Further, as explained by Ojiambo (2023), SMEs are predominantly found in labour-intensive sectors because of low entry barriers, low production costs, and a tendency to produce goods that are price-takers in the market.

The SME sector makes a significant contribution to countries' economies, especially those of developing nations. It accounts for the majority of businesses worldwide and is an important contributor to job creation and global economic development (World Bank, 2022). The global SME sector represents 90 percent of businesses; more than 50 percent of employment worldwide, with formal SMEs contributing up to 40 percent of emerging economies' GDP (Tarabishy, 2022). According to Ojiambo's (2023) estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, making SME development a high priority for many governments worldwide. The SME sector accounts for the most significant portion of formal employment in emerging economies, creating seven in ten formal jobs. Because of its sheer size and economic contributions, it is crucial for the sector to conform to the triple bottom-line goals.

SMEs are integral to Kenya's economy. A 2021 report by the Kenya National Bureau of Statistics (KNBS) indicates that the country's micro, small, and medium enterprise (MSME) sector comprises 7.4 million formal and informal business enterprises, has created 14.9 million jobs across all sectors, and accounts for 40 percent of the country's national income (GDP) (Kiarie & Ndedda, 2021). These formal and informal MSMEs cover a broad array of activities across all sectors, making them an important engine of economic growth. As Kiarie and Ndedda (2021) further explain, "MSMEs are crucial in the implementation of sustainable development goals (SDGs), particularly Goal 1 (poverty reduction), Goal 8 (decent work environment and economic growth), Goal 9 (industry, innovation, and infrastructure), and Goal 10 (address social inequalities)."

By providing millions of people with income opportunities, SMEs reduce poverty levels, serve as engine for economic growth, drives industrialization and innovation, and promotes social

inclusion. To this end, it plays a crucial role in achieving the SDG goals. Regarding employment, since the MSME sector creates 90% of the country's jobs, it presents an excellent opportunity to promote sustainable employment practices.

1.2 Statement of the Problem

The SME sector is critical to achieving the country's national sustainability goals as far as sustainable employment is concerned. This is because SMEs currently employ 14.9 million individuals, which is 90% of all jobs created in the country, and further creates 700,000 jobs every year (FSD Kenya, 2024; Kiarie & Ndedda, 2021). The majority of these jobs are not created in the principles of sustainability. In light of the above, Lichtenthaler (2023) believes that while it is not certain that firms failing to embrace sustainability will be completely phased out of the market, there are strong indicators that going green is increasingly critical for business survival and competitiveness in dynamic markets. These indicators include regulatory pressure, investor expectations, consumer preferences, supply chain requirements, and brand building and reputation.

Research demonstrates that SMEs struggle to adopt sustainability due to the unique challenges they face. While there is plenty of literature on the challenges SMEs face, the factors influencing the implementation of sustainable employment practices are still ongoing (Faisal & Naushad, 2020; Mahdy et al., 2023). This is because available literature focuses more broadly on sustainability (Ajibola, 2020; Alfazzi, 2023; Amoah et al., 2021; Bello & Kamanga, 2020; Foot, 2022; Kumar et al., 2023; Lafarre, 2023; Lathabhavan, 2022; Setyaningsih et al., 2024), others on Sustainable Human Resource Management (SHRM) practices (Al Qaydi & Aris, 2021; Bimo & Sulistyaningsih, 2024; Cheema et al., 2015; Ejibe et al., 2024), leaving sustainable employment in the context of SMEs hugely underexplored. It is to be noted that even the few studies that focus on sustainable employment are not without scope, conceptual, contextual, and methodological gaps.

In terms of scope, most of the studies were conducted outside Kenya except for (Chege & Wang, 2020; Gachuhi & Awuor, 2019; Gituma, 2017); due to the differences in the SME landscape, findings from these studies cannot be generalized to SMEs in Kenya. For instance, the SME sector is unique and notably different from those of other countries. In the context of the topic under investigation, the sector generates the majority of new jobs in Kenya, employing 90% of the workforce and creating over 700,000 jobs every year (FSD Kenya, 2024). this is a higher percentage that in many other countries, positioning it for targeted efforts towards sustainable employment practices.

Conceptually, sustainable employment, as the outcome variable, has not been sufficiently studied except for (Onwuchekwa, 2023; van Dam et al., 2017), leaving room for further research. In terms of context, there is limited evidence of the determinants of employment sustainability in the SME sector. Lastly, methodologically, some studies predominantly adopt qualitative approaches, failing to quantify the extent to which factors impede or enable the adoption of green practices. Therefore, this research aims to address these gaps by examining the effects of resource slack, upper management commitment, organizational culture, and employment regulations on the implementation of sustainable employment practices among SMEs in Nairobi County, Kenya.

1.3 General Objective of the study

The main objective was to determine the factors SMEs in Nairobi County face in adopting sustainable employment practices.

1.3.1 Specific Objectives

The study sought to achieve the following specific objectives:

i. To investigate the effect of resource slack on SMEs' implementation of sustainable employment practices in Nairobi County.
ii. To examine the influence of top management commitment on SMEs' adoption of sustainable employment practices in Nairobi County.
iii. To examine the influence of organizational culture on adopting sustainable employment practices among SMEs in Nairobi County.
iv. To explore the influence of employment regulations on SMEs' implementation of sustainable employment practices in Nairobi County.

1.4 Research Questions

The study sought to answer the following research questions:

i. What effect do financial constraints have on SMEs' implementing sustainable employment practices?
ii. How does top management commitment affect the implementation of practices in SMEs?

iii. What is the effect of organizational culture on the implementation of sustainable practices in SMEs?
iv. What influence do employment regulations have on implementing sustainable employment practices in SMEs?

1.5 Scope of the Study and Delimitations

The study focused on the factors facing SMEs in the adoption of sustainability employment practices. The conceptual scope was limited to resource slack, upper management commitment, organizational culture, and employment regulations as the independent variables and adoption of sustainable employment as the dependent variable. The geographical scope was limited to Nairobi, where the target population was 400 HR officers who were sampled from 90,000 SMEs in Nairobi, Kenya. The study took place in the first quarter of the year 2025 at an approximate budgetary cost of Kshs.107,500.

1.6 Significance of the Study

This research study has significant policy, practical, and theoretical implications for the field of the study. The study is of great significance in policymaking. The State Department for MSMEs Development, Micro and Small Enterprise Authority (MSEA), and other SME regulators can find the empirical findings, conclusions, and recommendations of the study useful in formulating policies aimed at promoting sustainability in the country's MSME sector.

The outcome of the study, its conclusion, and recommendations serve as actionable insights for practitioners in the SME sector looking to invest in sustainable employment practices. The study highlights how and the extent to which resource slack, level of commitment of the top management, company culture, and existing regulations affect the adoption of sustainable practices. As such, SMEs are informed on what strategies to adopt and where to invest to drive sustainability effectively. In other words, knowledge of the study can help SMEs develop better-tailored policies, actionable plans, and strategies for achieving sustainability goals.

The knowledge of the research study also benefits academicians, scholars, and future researchers. It serves as an invaluable reference for gaining insights into the topic. The study also informs future studies by helping test theories and hypotheses as well as research methodologies.

1.7 Chapter Summary

The chapter provides a synopsis of the study in terms of the background of the topic, the problem it sought to address, the objectives it sought to achieve, the research questions it sought to answer, its study and limitations, and its significance.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter of the study provides a comprehensive examination of existing academic literature related to the topic. The section serves as the foundation of the study, summarizing published empirical works, theories, and concepts. The section also highlights gaps in the existing literature and offers critical reflections.

2.2 Theoretical Framework

A theoretical framework "provides the broader lens or orientation through which the research topic is viewed and guides their overall understanding and approach" (Kivunja, 2018). As such, it is an important aspect of a research process, providing a lens through which it can be conducted and findings interpreted. This research was anchored in the theory of contingency and the triple bottom line theory as the supporting theory.

2.2.1 Contingency Theory

Contingency theory is a theory of organizational management that emerged through the works of multiple theorists. However, in the field of human resource management, the contributions of Burns and Stalker in 1961 stand out (Johnstone et al., 2023). It posits that "in order to be effective, HR practices must be consistent with other aspects of the organization and/or external environment." Put simply, the proponents of the strategic contingency theory suggest that HR practices should adapt to changing internal and external factors. As Johnstone et al. (2023) further explain, the theory's main emphasis is developing contingency decisions within HRM on the basis of internal and external fit.

The logic and principles of the contingency theory underpin much research in HRM. According to Harney (2023), since the theory emphasizes interactions and adaptability, organizations must tailor their HR practices to the ever-changing circumstances to ensure success and relevance. Notably, sustainability has become a crucial concern for all organizations due to several compelling reasons, including ensuring long-term viability, risk mitigation, legal compliance, competitive advantage, and meeting stakeholder expectations (Yasin et al., 2023). Therefore, as Qamar et al. (2023) point out, it is paramount for organizations to adapt and integrate their

HR practices with sustainability goals and needs, promoting holistic well-being and long-term success.

Besides holding significant importance to HRM, the linkage between contingency theory and sustainability has been explored. In their research, Yusuf et al. (2023) demonstrate that by operating on the principles of contingency theory, Malaysian manufacturing firms successfully evolved by enforcing corporate sustainable support policies and incentives to meet emerging sustainability demands. Also, Ren et al. (2023) applied contingency theory to offer a nuanced view that strategic HR policies can be used to advance the sustainability agenda. However, the theory is not without its limitations; it has been criticized for being too complex because it involves analysing multiple variables and situational factors. Some critics argue that the theory is not practical for everyday use, as it requires a thorough analysis of the situation, which can be time-consuming.

Nonetheless, this research sought to advance the sustainability agenda among SMEs in Kenya through employment practices; therefore, the tenets of contingency theory are relevant. That said, this theory acted as the anchoring theory for the study. It provided a framework for examining how SMEs develop contingent measures based on resource slack, company culture, leadership commitment, and regulations in order to achieve sustainable employment goals.

2.2.2 Triple Bottom Line Theory

The triple bottom line theory (TBL) was founded by John Elkington in his publication titled "Cannibals with Forks: The Triple Bottom Line of the 21st Century Business" (Brin & Nehme, 2019). Sometimes considered a corporate social responsibility (CSR) framework, TBL stresses three critical areas of organizational performance that extend beyond the pursuit of profits: economic, social, and environmental performance (Brin & Nehme, 2019). The first component focuses on a firm's overall financial performance, the generation of profits, and maximization of wealth for its shareholders. According to Shim et al. (2021), this theoretical framework suggests that the goal of every firm should not just be limited to making profits but to ensure continuous profitability over a sustained period.

The second dimension considers the organization's social impact. This dimension demands that business enterprises pay attention to the affairs of different groups of people – employees, customers, communities, and society at large (Brin & Nehme, 2019; Shim et al., 2021). These

affairs may include human rights, unemployment rate, health services, education services, and inequality; as Shim et al. (2021) further elaborate, organizations must identify and address social needs, including employee wellbeing, fair labour practices, diversity and inclusion, community development, philanthropy and volunteering, ethical sourcing. Lastly, the environmental dimension is concerned with the planet; it requires firms to go the extra mile to assess their impact on the planet, including resource usage, emissions, wastage, and ecological sustainability.

It is clear that the TBL model offers a framework allowing firms to successfully conform to the ongoing sustainability discussion. In other words, it provides a formula for effectively aligning business strategy with the TBL business model, ensuring effective market performance. In their analysis, Okanga and Groenewald (2017) observed that SMEs struggled to achieve social and environmental performance for a variety of reasons. However, with the TBL model in place, most of them strive to achieve all three bottom lines. In the context of HRM, Colbert and Kurucz (2007) contend that "by organizing HRM processes and practices around a set of coherent TBL objectives, a firm has the potential to build a unique resource-based advantage in its industry."

While TBL has been instrumental in promoting sustainability in business practices, it faces several limitations. For instance, it lacks a universally accepted standard for measuring and reporting social and environmental performance (Brin & Nehme, 2019). This makes it difficult to assess progress and compare TBL performance across different organizations. Employment is a key HRM practice, and TBL theory is pertinent to this investigation. Therefore, it served as the supporting theory, providing a framework for examining how SMEs can leverage resource slack, top management support, culture, and regulations to achieve a triple bottom-line performance.

2.3 Empirical Review

This delves into the existing empirical literature on the topic under investigation. The analysis is presented according to the specific objectives of the proposed study.

2.3.1 Resource Slack and Sustainable Employment Practices

Globally, the nexus between resource availability and sustainable business practices in corporate governance has drawn the attention of quite a number of researchers. For instance, an empirical investigation conducted by Li et al. (2023) based in the United States contributes to the literature by demonstrating the path to achieving SDGs. The study observed that companies with adequate financial resources can invest in superior sustainability-driven technologies such as artificial intelligence (AI) tools. This research reveals that AI-based financial management solutions can help improve environmental sustainability. The sentiments above have been echoed by de Carvalho Ferreira et al. (2016), who argue that financial availability is crucial in adopting sustainable business practices. Similarly, Okolo et al. (2023) EU-based research noted that funding SMEs spurred environmental sustainability both in the private and government sectors. Although these studies offered valuable insights into the research topic and key themes being studied, the generalizability of their findings to the present context was limited. This is because these studies were based on developed countries, whose SME landscape exhibit varying characteristics from those in Kenya.

Regionally, empirical research conducted by Boso et al. (2017) in Nigeria offers valuable insights into the phenomenon. The study observed that an "increase in financial resource slack is associated with a decrease in sustainability expenditure." This observation contradicts the findings of Li et al. (2023), de Carvalho Ferreira et al. (2016), and Okolo et al. (2023), as described above. However, Boso et al. (2017) further pointed out that "the negative effect of financial resource slack on sustainability expenditure becomes positive when levels of market pressure are higher and that relationship is strengthened (becomes more negative) when levels of political connectedness are greater." In other words, the dynamics of the nexus between resource slack and sustainability is not straightforward but rather dynamic and heavily influenced by certain other factors. Still in Nigeria, Onuoha and Nkwor (2021) discovered that the extent of CSR activities was associated with absorbed and unabsorbed slack resources in Manufacturing firms. Notably, the literature indicates a mixed-view of the influence of resource slack, with Boso et al.'s (2017) evidence contradicting those of other researchers.

Furthermore, elsewhere in South Africa, Kimanzi and Gamede (2020) produce scientific evidence that financial resources are a driver of sustainability goals among SMEs. The researchers explain that once a potential sustainability-related initiative is identified, the finance department assesses the operational risks involved and provides the necessary funds

after determining that the program is worth exploiting. This also implies that the lack of finances could hinder the pursuit of a sustainability agenda. In another study, Vitale et al. (2023) offer an interesting view, citing that "financial resources slack is detrimental to environmental performance in the short term but nevertheless useful in boosting innovation that enhances environmental performance in the long run." It further noted that the gains realized in environmental performance seem to be more of a function of strategic approach and the commitment of the management than resource availability. In other words, while recognizing the effect of resource slack, as other studies demonstrated so far, Vitale et al. (2023) hold the view that this effect is context-dependent.

In Kenya, following an unending debate about sustainable outcomes of projects implemented by community-based organizations, Kuchia and Mburugu (2019) sought "to determine the availability of resources for the implementation of sustainable projects in Meru County." Using regression analysis, the researchers discovered that resource availability accounted for up to 76.5% of sustainability projects. In another study, Sang (2024), whose research focused on Nairobi Securities Exchange-listed companies, observed an underwhelming rate of adoption of sustainable HRM practices and sustainability programs altogether despite immense resources at their disposal. This observation suggests that financial resource slack does not always equate to greater levels of sustainability. A study by Mbula (2020) looked into "the effects of top management, resource availability, and stakeholder engagement in the implementation of CSR projects among commercial banks in Kenya." The researcher observed that resource availability had a significant positive effect on CSR adoption. A key lesson from these localised empirical investigations is an element of inconsistencies in finding, with Kuchia and Mburugu (2019) and Mbula (2020) producing evidence of significant positive effect whereas Sang (2024) suggesting resource slack is not a significant determinant of sustainability.

2.3.2 Top Management Commitment and Sustainable Employment Practices

The growing importance of sustainability has seen many organizations rush to integrate sustainable measures into their overall organizational strategies and business models. It is believed that sustainable impact demands significant and ongoing human resource investment since it is a long-term agenda. That being so, the impact of top management commitment to realizing green HRM practices has drawn the attention of numerous scholars. In their research, Alkaf et al. (2023) sought to determine how the support of the top managers reflects on green HRM practices. The researchers found "a significant positive correlation between the variables,

explaining that top management support and commitment are crucial for the design and execution of critical policies and strategies such as green HRM practices." This implies that if the top leadership is sold on sustainability principles, an organization is more likely to adopt sustainable practices than one whose leaders do not commit these practices. Therefore, leadership support is a crucial determinant of sustainable employment practices.

The observations above are consistent with those of Yusliza et al. (2019) who targeted manufacturing and service organizations in Malaysia. The researchers discovered "a significant positive relationship between top management commitment and CSR and all dimensions of green HRM." Likewise, after surveying 112 manufacturing firms, Yong et al.'s (2022) study links top management commitment and stakeholder pressure to green HRM. They argue that support from the top leadership accompanied by stakeholder pressure helps create an environmentally friendly culture and provides appropriate incentives for organizations to pursue sustainability goals from the perspective of sustainable HRM. Besides having a direct impact, research by Akthar (2022) demonstrates that "top management support also mediates the relationship between sustainable HRM practices and environmental performance." All these studies, including Alkaf et al. (2023), Yusliza et al. (2019), Yong et al. (2022), and Akthar (2022) consistently demonstrating the positive effect of top management commitment implies that, regardless of methodological framework, contextual scope, or geographical coverage, there is a general consensus in literature on the significance of leadership support as a determinant of sustainability.

Further research by Hossain et al. (2022) looked into the association between "green HRM, top management commitment, and green culture on the performance of palm oil firms in Malaysia." The study observed that the variables positively impacted green performance. The sentiment was echoed by Chawewong and Naipinit (2023), whose research was based on Thailand's thrift and credit cooperatives. After interviewing 319 top and middle management and using the structural equation model (SEM) to analyse data collected, the study found "a significant positive relationship between top management commitment and CSR, as well all dimensions of green HRM." This further confirms the notion above. Importantly, based on how the variables were conceptualized, these studies were instrumental to the current discourse. However, due to their limitations, a focused study on Kenya's SME sector was justified.

2.3.3 Organizational Culture and Sustainable Employment Practices

In the pursuit of competitive advantage in the current era, organizational culture has been

thought to be an effective source of competitive advantage. However, the current body of empirical literature remains inconclusive. For instance, internationally, Huseynova and Matošková's (2022) scholarly work offers an insightful view of the topic. After interviewing 420 employees of Azerbaijani organizations, the study discovered that maintaining an engaged organizational culture drives the implementation of SHRM practices. The sentiments above have been echoed by Mehta and Mehta (2017), who found a direct positive correlation between organizational culture and green HRM practices, citing that positive change in organisational culture can significantly improve the integration of green issues in HRM activities in India. A key lesson drawn from these studies is their conceptualization of organizational culture, which was instrumental in the operationalization of the variable in the present study.

However, according to Medina-Álvarez and Sánchez-Medina (2023), whose research was based on Mexico's tourism sector, the effect of organizational culture on sustainability varies. For instance, hierarchical cultures promote economic sustainability more, market or rational cultures commit more to environmental sustainability, while adhocratic cultures seek to achieve sustainability holistically. In China, while examining "the relationship between workplace culture and corporate sustainable performance in SMEs," Wang and Huang (2022) observed that a flexible workplace culture promotes sustainability; on the other hand, a rigid or controlling organizational culture has an adverse effect on sustainability. Another interesting observation from the study is the mediating role of transformational leadership style. All these studies, including Huseynova and Matošková (2022), Mehta and Mehta (2017), Medina-Álvarez and Sánchez-Medina (2023), and Wang and Huang (2022) all points to the significance of organizational culture. However, Medina-Álvarez and Sánchez-Medina (2023) and Wang and Huang (2022) dive deeper into these cultures to single out those that have positive effects and separate them from those with negative effects. This implies that the type of organizational culture matters.

Regionally, the notion that culture acts as a catalyst for sustainable development was examined by Madandola and Boussaa (2023) in Nigeria. Using a case study approach, the researchers confirm that culture-led urban regeneration is viable for economic, social, and environmental development. In Nigeria's context, Adebayo et al. (2020) produce empirical evidence suggesting that organizational culture significantly influences environmental performance among SMEs. Therefore, regardless of methodological approach, contextual focus, and conceptual scope, both these emphasize the importance of having the right workplace culture. However, unlike Adebayo et al. (2020), Madandola and Boussaa (2023) research does not focus

on SMEs' sustainability initiatives, which presents a gap that limits the application of the results of this study to the present context. Also, since these studies were conducted in Nigeria, findings may not apply to Kenya's SMEs due to the differences in economic, social, and regulatory factors, hence the need for the present study.

In Kenya, Ogwari (2021) sought to unpack the influence culture has on quality education for sustainable development. An empirical review of the literature was adopted to review the interactions between "the Kenya Basic Education Framework (BECF) that guides the Competency Based Curriculum (CBC) and Education for Sustainable Development (ESD)". Findings suggest that "embedding culture in ESD policy provides a deep and shared understanding of the development, implementation, and evaluation of ESD policy and BECF." In another study, Gikunda et al. (2022) noted that "a combination of cultural elements significantly predicted the adoption of climate-smart practices in Mbeere North." Both these studies are crucial addition to the literature on sustainability in Kenya's SME landscape and the role organizational culture plays. However, Ogwari's (2021) fails to particularly focus on SMEs with sustainable employment as the outcome variable, as gap that justified the present investigation.

2.3.4 Employment Regulations and Sustainable Employment Practices

Empirical research by Wang et al. (2022) examined "the effect Chinese environmental regulations have on corporate sustainability performance." Focusing on chemical firms and surveying 766 respondents, the study found that environmental regulations have a strong positive effect on both green technology and sustainability performance. Elsewhere in Germany, Spraul and Höfert (2021) sought to examine "patterns of regulation and self-regulation and their influence on sustainability in the wine industry." The researchers adopted a mixed-method approach, employing both social network analysis and semi-structured interviews for data collection. Findings suggest that while government regulations are important, self-regulation measures by sustainability-driven associations exert more influence in driving sustainable business practices. Overall, while regulations are crucial, perspectives matter according to Spraul and Höfert (2021). In other words, firms that self-regulated are designed to get the most out of sustainability.

In Zambia, Zulu et al. (2023) examined "the drivers and barriers of sustainability practices in the construction sector." 112 respondents were surveyed using a structured questionnaire, and data was analysed using factor analysis and ranked using the relative importance index.

According to the findings, drivers of sustainability were grouped into the following categories: "regulatory and industry-related, environment and health-related factors, and economy and firm-related factors. Barriers were grouped into the following categories: awareness and knowledge-related factors, regulatory and industry-related factors, and economy and cost-related factors." In regards to regulations, the drivers include building regulations, government policies, and industry standards. Barriers in that regard were a lack of statutory requirements, inadequate building regulations, and a lack of professional capabilities. Therefore, unlike Wang et al. (2022) and Spraul and Höfert's (2021) studies, Zulu et al. (2023) demonstrate that regulatory framework is a double-edged sword, having both positive and negative effect on sustainability. This finding warrants further research in the context of Kenya's SMEs and a focus on the country's regulatory framework.

In Kenya, Tonui (2022) sought to examine "the effectiveness of land regulations in promoting sustainability." The study adopted a desktop approach and reviewed various literature on land use regulations in Kenya. The researcher observed that "sustainable land use management has not been adequately chiselled into Kenya's legal, policy, and institutional framework." In other words, the country's legal framework is ineffective in promoting environmental sustainability. Still in Kenya, Omamo (2018) looked into the factors affecting green technology adoption among Kenyan firms. A sample of 68 managers was surveyed using a structured questionnaire, and data analysed using inferential statistics. Results show that regulatory framework has a strong effect on green technology adoption. Between these two studies, there is an element of mixed-view of the effect of regulatory framework with Tonui (2022) pointing to its ineffectiveness whereas Omamo (2018) suggesting that it is a critical driver of sustainability. Since neither of these studies focused on SMEs, this served as a gap that justified the present research study.

2.4 Summary of Literature and Research Gaps

Table 2.1 offers a summary of the literature reviewed, the knowledge gaps identified in those studies, and how the proposed study will address those gaps.

Table 2. 1: Summary of Literature and Research Gaps

Research study	Topic	Methodology	Findings	Knowledge Gaps	Focus of Present Study
Li et al. (2023)	"Comparing the impact on environmental sustainability and resource productivity."	Empirical analyses by fully modified ordinary least (FMOLS) methods	Access to finances is essential in achieving sustainability.	Scope: research was conducted outside Kenya. Contextual: SMEs were not the central focus of the study. Conceptual: The adoption of sustainable employment practices is not covered well.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Carolina Rezende de Carvalho Ferreira et al. (2016)	"A systematic review of literature about finance and sustainability"	Systematic review of literature	Financial availability is highly correlated to the adoption of sustainability practices.	Scope: research was conducted outside Kenya. Contextual: SMEs were not the central focus of the study. Methodological: a qualitative approach was used. Conceptual: the adoption of sustainable employment is not covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

Okolo et al. (2023)	"Does financing SMEs guarantee inclusive growth and environmental sustainability in the European Union?"	Panel regression analysis	"Financing SMEs guarantees inclusive growth and environmental sustainability."	Scope: research was conducted in the EU. Conceptual: the adoption of sustainable employment has not been explored.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Boso et al. (2017)	"Does financial resource slack drive sustainability expenditure in developing economy small and medium-sized enterprises?"	Structural equation modelling	"Negative relationship between financial resource slack and sustainability. It can be positive or negative depending on market pressure and political pressure."	Scope: The research was conducted in Nigeria. Conceptual: the adoption of sustainable employment has not been explored.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Kimanzi and Gamede (2020)	"Embracing the role of finance in sustainability for SMEs"	One sample t-test	Finances play a crucial role in SMEs' sustainability goals.	Scope: The research was conducted in Nigeria. Conceptual: the adoption of sustainable employment not explored.	The adoption of sustainable employment by SMEs in Kenya will be the focus of the present study.
Vitale et al. (2023)	"The role of organisational slack resources in affecting environmental performance. A structural equation modelling approach"	Structural equation modelling	"The effect of financial resource availability is negative in the short term but positive in the long run. Strategy and managerial commitment contribute to the relationship."	Scope: research was conducted outside Kenya. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not well covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

Onuoha and Nkwor (2021)	"Slack Resources and Corporate Social Responsibility Link: Evidence from Manufacturing Firms in Nigeria"	One sample Wilcoxon signed rank test and regression analysis	"Whereas the extent of CSR activities by the studied firms is low and insignificant, absorbed and unabsorbed slack resources have significant positive effects on CSR activities"	Scope: research was conducted in Nigeria. Contextual: research focused on manufacturing firms. Conceptual: the adoption of sustainable employment practices not well covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Kuchia and Mburugu (2019)	"Financial Resources availability and Sustainability of Projects by CBOs in Meru County, Kenya"	Descriptive and Regression analysis	Resource availability accounted up to 76.5% of sustainability projects.	Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment not covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Sang (2024)	"Sustainable HRM and Sustainability: A Survey on NSE Listed Companies, Kenya"	Synthesis of scientific empirical literature and a theoretical review	Underwhelming adoption of sustainable HRM and sustainability programs despite immense resources	Contextual: the research focused on NSE-listed firms. Conceptual: the relationship between resource availability and sustainable employment not highlighted	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Mbula (2020)	"The influence of top management support, resources availability and stakeholder involvement on implementation of CSR strategy in commercial banks in Kenya."	Multiple regression analysis	Management support, resource availability, and stakeholder engagement have significant positive influence on CSR implementation.	Contextual: the research focused on commercial banks in Kenya. Conceptual: the relationship between resource availability and sustainable employment not highlighted	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

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Alkaf et al. (2023)	"Top Management Support, Green Intellectual Capital and Green HRM: A Proposed Framework for Sustainability"	Review of literature	"A significant positive correlation top management commitment and green HRM"	Scope: research was conducted in Malaysia. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Yusliza et al. (2019)	"Top management commitment, corporate social responsibility and green HRM: A Malaysian study"	Partial least squares method	"A significant positive relationship between top management commitment and CSR, as well all dimensions of green HRM"	Scope: research was conducted in Malaysia. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not well covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Yong et al. (2022)	"Testing the stakeholder pressure, relative advantage, top management commitment and green HRM linkage"	Partial least squares modelling	"Top management commitment and stakeholder pressure are significant predictors of green HRM"	Scope: research was conducted outside Kenya. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not well covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Akthar (2022)	"Top Management Support: Underlying Mechanism between Green Human Resource	Partial Least Square Structural Equational	"Top management support also mediates the relationship between sustainable HRM	Scope: research was conducted outside Kenya.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

	Management Practices and Environmental Performance"	Modelling (PLS-SEM)	practices and environmental performance"	Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not well covered.	
Hossain et al. (2022)	"Green Human Resource Management, Top Management Commitment, Green Culture, and Green Performance of Malaysian Palm Oil Companies"	Structural Equational Modelling	"Top management commitment, and green culture translate positively on green performance."	Scope: research was conducted outside Kenya. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not well covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Chawewong and Naipinit (2023)	"The influence of top management green commitment and green intellectual capital on sustainable business performance of Thailand's thrift and credit cooperatives"	Structural Equation Modelling (SEM)	"A significant positive relationship between top management commitment and CSR"	Scope: research was conducted outside Kenya. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not well covered.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Huseynova and Matošková (2022)	"Sustainable HRM Practices for a Stronger Employer Brand: Leveraging Organizational Culture"	Path analysis	An engaged organizational culture drives the implementation of SHRM practices	Scope: research was conducted in Azerbaijan. Contextual: SMEs were not central focus of the study.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

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				Conceptual: the adoption of sustainable employment practices not the outcome variable.	
Mehta and Mehta (2017)	"Green HRM Practices and Organizational Culture"	Quantitative correlation analysis	"A significant positive correlation between organizational culture and green HRM practices."	Scope: research was conducted in India. Contextual: SMEs were not central focus of the study. Conceptual: the adoption of sustainable employment practices not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Medina-Álvarez and Sánchez-Medina (2023)	"Types of organizational culture and sustainability in ecotourism businesses in southern Mexico"	Discriminant analysis and the theoretical support of the competing values framework	Hierarchical cultures promote economic sustainability more, market/rational cultures commit more on environmental sustainability, while adhocratic cultures seek to achieve sustainability holistically.	Scope: research was conducted in Mexico. Contextual: SMEs were not central focus of the study but ecotourist firms. Conceptual: the adoption of sustainable employment not examined.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Madandola and Boussaa (2023)	"Cultural heritage tourism as a catalyst for sustainable development; the case of old Oyo town in Nigeria"	Case study approach	Culture-led urban regeneration is viable for economic, social, and environmental development.	Scope: research was conducted in Nigeria. Contextual: it focused on community and not SMEs.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

				Methodological: adopted a case study method. Conceptual: sustainable employment not the outcome variable.	
Adebayo et al. (2020)	"An integrated organisational culture for sustainable environmental performance in the Nigerian context"	Structural Equation Modelling with partial least squares for the path-modelling (PLS-SEM)	"Organizational culture has a significant level of influence on environmental performance"	Scope: research was conducted in Nigeria. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Ogwari (2021)	"Unpacking the role of culture towards quality education for sustainable development in Kenya"	A desk study approach	"Embedding culture in ESD policy promotes the development, implementation, and evaluation of ESD policy"	Contextual: the study targeted the education sector. Methodological: adopted qualitative method. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Gikunda et al. (2022)	"Culture as a predictor of effective adoption of climate-smart agriculture in Mbeere North, Kenya"	Independent samples t-test and multiple regression analysis	"A combination of cultural elements significantly predicted the adoption of climate-smart practices"	Contextual: the study targeted farmers and the farming sector. Methodological: adopted qualitative method. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

Wang et al. (2022)	"Evaluating the effect of Chinese environmental regulation on corporate sustainability performance: the mediating role of green technology innovation."	Confirmatory Factor Analysis and Structural Equational Modelling	"Environmental regulation positively impacts both green technology innovation and sustainability performance"	Scope: research was conducted in China. Contextual: it focused on chemical firms and not SMEs. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Spraul & Höfert (2021)	"Governance for sustainability: patterns of regulation and self-regulation in the German wine industry."	A social network analysis	"While government regulations are important, self-regulation by associations plays a crucial role in enhancing sustainability"	Scope: research was conducted in Germany. Contextual: it focused on the wine industry and not SMEs. Methodological: adopted mixed method. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Zulu et al. (2023)	"Drivers and barriers to sustainability practices in the Zambian construction industry."	Exploratory Factor Analysis (EFA)	"Barriers were grouped into the following categories: awareness and knowledge-related factors, regulatory and industry-related factors and, economy and cost-related factors"	Scope: research was conducted in Zambia. Contextual: it focused on the construction industry and not SMEs. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.
Tonui (2022)	"Assessing the effectiveness of land use regulations in promoting	A desk study approach	The country's legal framework is ineffective in promoting environmental sustainability	Contextual: it focused on land use and not SMEs.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

	environmental sustainability in Kenya."			Methodological: used a desktop approach. Conceptual: sustainable employment not the outcome variable.	
Omamo (2018)	"Factors affecting adoption of green technology by firms in Kenya"	Regression analysis	Technological, organization characteristics, environmental factors (network relations, regulations, uncertainty)	Contextual: it focused on green technology adoption and not SMEs. Conceptual: sustainable employment not the outcome variable.	The adoption of sustainable employment by SMEs in Kenya was the focus of the present study.

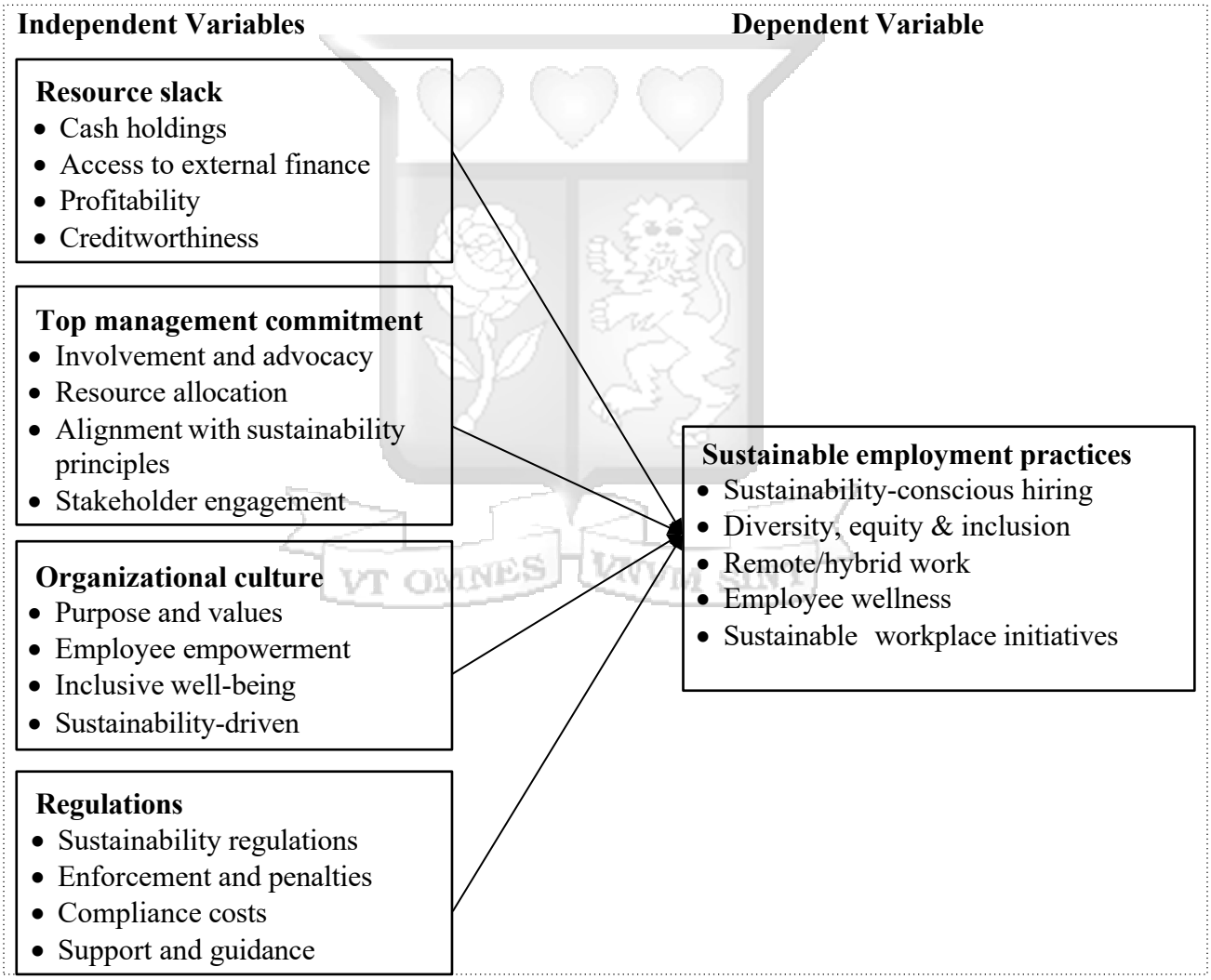
Source: Author, 2024

VT OMNES VNVM SINT

2.5 Conceptual Framework

The study sought to examine the factors affecting SMEs in adopting sustainable employment practices. The study sought to determine how financial resource slack, top management support, organizational culture, and regulatory framework (the independent variables) affect the adoption of sustainable employment practices (the dependent variables) in SMEs in Kenya. These variables were grounded in the contingency theory and the triple-bottom line theory as the primary and supporting theoretical framework. Figure 2.1 highlights the concepts of the study and the relationships between the variables.

Figure 2. 1: Conceptual Framework



Source: Author, 2024

2.6 Operationalization of the Variables

With the conceptual framework formulated, it is essential to operationalize the variables of the study. Operationalization involves defining variables in a way that allows for accurate

measurement. Table 2.2 describes how the variables in the study were measured.

Table 2. 2: Operationalization of the Variables

Variable	Code	Indicators	Scale	Source
Independent variables				
Resource slack	RSLK	• Cash holdings • Access to external finance • Profitability • Creditworthiness	Five-point Likert scale	(Bakhtiari et al., 2020; Ferrando et al., 2021)
Top management commitment	TMCOM	• Involvement and advocacy • Resource allocation • Alignment with sustainability principles • Stakeholder engagement	Five-point Likert scale	(Memon et al., 2022; Kiesnere & Baumgartner, 2020)
Organizational culture	ORGCL	• Purpose and values • Employee empowerment • Inclusive well-being • Sustainability-driven	Five-point Likert scale	(Akpa et al., 2021; Assoratgoon & Kantabutra, 2023)
Employment regulations	EREGL	• Sustainability regulations • Enforcement and penalties • Compliance costs • Support and guidance	Five-point Likert scale	(Aydin, 2023; Mengistu & Panizzolo, 2023)
Dependent variable				
Sustainable employment practices	SUSEMP	• Sustainability-conscious hiring • Diversity, equity & inclusion • Remote/hybrid work • Employee wellness • Sustainable workplace initiatives	Five-point Likert scale	(Mehta & Mehta, 2017; Tanveer et al., 2024; Yasin et al., 2023)

Source: Author, 2024

2.7 Chapter Summary

The chapter provides a review of existing literature on the topic. It also describes theories that underpinned the study and defines the conceptual framework for the study. It concludes by describing how variables were operationalized.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter explores the methodology that guided the study. It outlines the research philosophy, delves into research design, discusses data collection methods, and highlights analytical techniques that were employed. In addition, the target population and sampling techniques are also defined, and approaches for ensuring quality and ethical research are established.

3.2 Research Philosophy

Research philosophy is crucial in any research endeavour. Muhaise et al. (2020) state, "A research philosophy is a set of fundamental beliefs that guide the design and execution of a research study." Since it influences how a researcher collects, analyses, and utilizes data, choosing the right research philosophy is crucial. This is because, as Chege and Otieno (2020) point out, "different research philosophies offer distinct ways of understanding scientific research." Several research philosophies exist, but as Muhaise et al. (2020) clarify, studies are often classified into one of the following research philosophies: positivism, pragmatism, realism, and interpretivism.

In his publication, Dudovskiy (2022) offers criteria for selecting the right research philosophy. On that account, positivist research philosophy is the most appropriate for a highly structured study seeking to prioritize objectivity in data collection, measurement, analysis, and reporting. According to Dudovskiy (2022), "as a philosophy, positivism adheres to the view that only factual knowledge gained through objective observation is trustworthy." This is also because interpretivism is favoured for a qualitative study, pragmatism for a study that combines both qualitative and quantitative methods, and realism focuses on understanding the underlying structures and mechanisms that generate social phenomena. This being a quantitative study, positivism was an appropriate philosophy.

Therefore, research studies grounded on the fundamentals of positivist research philosophy demand researchers be objective, distancing themselves from personal values and biases when collecting, analysing, and interpreting data.

3.3 Research Design

A research design is a "framework of the specific research methods and techniques that underlie a research process" (Ansari et al., 2022; Bostley, 2019). A well-planned research design takes into consideration research objectives, data type (primary or secondary), methods, tools, and procedures for gathering data, and techniques for data analysis. The common types of research designs include explanatory, descriptive, applied, experimental, exploratory, correlational, cross-sectional, and longitudinal research. Due to the objective and nature of the research, a quantitative-based descriptive cross-sectional research design was appropriate. As Bostley (2019) explains, "a descriptive cross-sectional research design aims to describe a phenomenon at a point in time." The design was useful in understanding and describing the current state of resource slack, commitment from the top managers, and company culture within SMEs in Kenya, as well as the regulatory landscape for employment and how these factors influence the adoption of sustainable employment practices in SMEs.

3.4 Population and Sampling

This section describes the population that the study targeted, how sampling was done, and how respondents were selected.

3.4.1 Target Population

The study aimed to determine the factors influencing SMEs in Nairobi County in implementing sustainable employment practices. Therefore, registered SMEs in Nairobi City County constituted the units of analysis. According to KNBS, Kenya has 7.4 million MSMEs, but only 1.56 million of them are formally registered. Most of these enterprises are concentrated in major cities. Nairobi County has 90,000 licensed SMEs, with at least 21,000 of them located in the Central Business District (CBD) (Waithaka, 2018). The proposed study targeted staff of the 90,000 SMEs in Nairobi County.

3.4.2 Sampling

A sample represents a smaller unit of the target population that participates in a research study. Sampling is necessary when the population of interest is too vast to study comprehensively (Naval, 2022). Also, resource constraints call for cost-effective research, hence the need for sampling.

3.4.2.1 Sampling Frame

A "sampling frame in research represents a list of units from which a sample is drawn" (Naval, 2022). The study targeted a cohort of HR officers working at the SMEs in Nairobi County. This is because HR officers are well-versed in the fundamental aspects of sustainable employment practices, including the factors associated with their adoption. One HR officer was selected from each SME using a purposive sampling technique.

3.4.2.2 Sample Size

Appropriate sample size is imperative in research because it has a direct effect on the reliability and generalizability of findings to the larger population. It provides more accurate estimates, resulting in reliable conclusions (Berndt, 2020; Etikan, 2017). Therefore, Yamane's formula was used to determine the appropriate sample size as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where; n=sample size, N=population size, e=margin of error

Therefore, with a population of 90,000 SMEs and a margin of error of 5%, the appropriate sample size was:

398 ≈400 HR officers.

The HR officers above were selected from 400 SMEs using a purposive sampling technique. This is a non-probability sampling technique that involves selecting participants based on specific characteristics relevant to the study's objectives (Berndt, 2020; Etikan, 2017). In this case, the study sought the professionals in charge of HRM practices in the targeted SMEs. These officials are responsible for HRM practices such as employment and employee wellness.

The inclusion criterion for this study was SMEs within Nairobi County that had established HR department and adopts formal employment policies and practices. This was crucial since sustainable employment thrives under formal HR frameworks where the impact of these practices can be measured. Therefore, SMEs without formal employment policies were excluded from the study.

3.5 Data Collection

The study was based on primary data collected from selected respondents using structured questionnaires. This research instrument was invaluable for quantitative research for two compelling reasons: first, due to its quantitative nature, and second, structured questionnaires ensure standardization in data collection, reducing ambiguity and enhancing reliability.

The development of the questionnaire was informed by the conceptual framework and operationalization of variables, ensuring valid and reliable questions that align with the study's objectives. It consisted of six sections: a section for respondents' demographic data and a section for each of the three independent and dependent variables (see Appendix 1). Data was measured using a five-point Likert scale.

The questionnaires were distributed through both online and offline channels. Willing participants were invited to select their preferred participation method, either an electronic version or a hard copy of the questionnaire. Respondents who chose the online option received a link to the digital questionnaire, while those who preferred the drop-off/pick-up method received a hard copy. Exhausting both online and offline channels helped elicit a higher response rate.

3.6 Data Analysis

The completed questionnaires were collected, organized, and cleaned for errors and incomplete responses. Then, quantitative statistical techniques were used for data analysis. More specifically, descriptive statistics and inferential statistics were used as described below:

3.6.1 Descriptive Statistics

Descriptive statistics were used to summarize and organize the main attributes of the data set. The study conducted measures of central tendency (mean) to describe the averages of values and measures of variability (standard deviation) to indicate how spread out the values was.

3.6.2 Inferential Statistics

The study performed inferential statistics to make inferences and draw conclusions about the larger population using the sample data (Durcevic, 2020). In particular, the study conducted the partial least squares structural equation modelling (PLS-SEM), "a statistical technique employed in research to examine complex relationships between variables" (Ringle et al., 2020;

Sarstedt et al., 2021). PLS-SEM was used in the study to test hypotheses, "assess direct and indirect effects of the variables, and account for measurement errors."

In this context, PLS-SEM helped highlight how and the extent to which resource slack, top management support, organizational culture, and employment regulations influence the adoption of green employment practices within SMEs.

The study employed SEM as the primary inferential analytical technique because of its powerful statistical technique suitable for analysing complex relationships in a single mode (Sarstedt et al., 2021). Unlike the traditional models such as multiple regression, SEM can handle multiple dependent and independent variables simultaneously, providing a more comprehensive view of the entire system of relationships (Hair & Alamer, 2022). Its suitability is due to its unique ability to combine several analytical techniques into one framework. For instance, it allows researchers to work with latent variables that cannot be directly measured. For instance, in this case, concepts such as resource slack, top management support, organizational culture, and employment regulations were not measured by a single question but derived from a set of indicators. SEM's measurement model links these observed variables to their underlying latent constructs, accounting for measurement errors. This makes the analysis more accurate than methods that treat all variables as directly measurable.

The analysis estimated the "model parameters, assess model fit, and test the significance of the hypothesized relationships" (Ringle et al., 2020). In so doing, coupled with the analysis of standardized path coefficients and significance levels, SEM was instrumental in drawing inferences about the strength and direction of the effects of the predictor variables.

3.7 Research Quality

Necessary steps were taken to ensure the effectiveness, relevance, originality, reliability, and validity of the study and its findings. These steps are described below:

3.7.1 Validity

Ahmed and Ishtiaq (2021) refer to validity as the accuracy and significance of the study. Research that lacks validity can suffer from misleading or erroneous findings that can result in flawed conclusions and applications. For this reason, appropriate measures were taken to make sure the study collects and measures data that aligns with the research objective. For instance, the variables were defined more precisely to ensure participants understood the terms and

concepts that were measured. Secondly, the questionnaire was designed under the guidance of the assigned supervisor to ensure questions aligned with the research objectives and accurately measured what it intended to do.

3.7.2 Reliability

Reliability refers to a study's ability to produce the same findings over and over. Therefore, as Ahmed and Ishtiaq (2021) put it simply, a reliable research study is consistent and stable. This can mean three things: the same outcomes are observed when the same test is repeated on the same sample at different points, different researchers can conduct the same test but still produce similar findings, and the individual items in the questionnaire measure the same construct consistently. Pilot testing was conducted to achieve all of the above, with a sample of 20 individuals (or 5% of the targeted respondents) being used for pilot testing. These preliminary studies helped refine the questionnaire. Cronbach's Alpha test was performed to make sure a minimum internal consistency of 0.7 for all the constructs was achieved. Results of the test are shown in Table 3.1.

Table 3.1: Reliability Results

Variable	No. of items	Cronbach's Alpha	Comment
Resource slack	4	0.746	Accepted
Top management commitment	4	0.942	Accepted
Organizational culture	4	0.949	Accepted
Employment regulations	4	0.788	Accepted
Sustainable employment	5	0.826	Accepted

Source: Author, 2024

3.8 Ethical Considerations

Ethical standards governing scientific inquiry were observed in this study. First, approval for the study was obtained from the Strathmore University Ethical Review Committee (SU-ERC). Then, a research license was secured from NACOSTI. The principles of informed consent, confidentiality, and anonymity were observed. Prospective respondents were furnished with an informed consent form for the purposes of full disclosure, understanding, and voluntariness. Confidentiality was guaranteed by securing the data collected, and the anonymity of respondents was maintained by refraining from collecting personally identifiable information.

3.9 Chapter Summary

The chapter describes the approaches, methods, and strategies that were adopted to complete the study. Also defined in the chapter are the target population, sampling, and measures for research quality and ethical standards.

CHAPTER FOUR
PRESENTATION OF FINDINGS

4.1 Introduction

This chapter details the findings of a study that examined the factors affecting the adoption of sustainable employment practices within small and medium enterprises in Nairobi, Kenya. The study focused on the effect of resource slack, top management support, organizational culture, and employment regulations. This section provides a precise and detailed presentation of the results, utilizing tables and figures to illustrate the study's response rate, the demographic characteristics of the respondent sample, and the outcomes of inferential statistical analyses.

4.2 Response Rate

The study targeted 400 HR officers from 400 SMEs in Nairobi, Kenya, who were asked to complete a structured questionnaire. A total of 279 completed questionnaires were received. However, after careful inspection, 13 were excluded due to errors and incomplete responses, leaving 266 valid questionnaires for analysis, as shown in Table 4.1.

Table 4. 1: Response Rate

Metric	Frequency	Percentage
Targeted respondents	400	100.0%
Total completed questionnaires received (response rate)	279	69.8%
Non-response	121	30.3%
Excluded questions (for errors and incompleteness)	13	3.3%
Eligible questionnaires for analysis	266	66.5%

The study achieved a 66.5% response rate, a sufficient response considering the characteristics of the target population. Sataloff and Vontela (2021) point out that achieving a high response rate for an academic research study involving professionals as the target population is a major challenge due to their time constraints and confidentiality issues. Therefore, 50% or higher should be adequate. Therefore, in this study, a 66.5% response rate is deemed sufficient for the purpose of generalizability of the findings.

4.3 Demographic Profile of the Respondents

The demographic profile of the respondents was analysed for two key reasons: first, to assess the study's representation of the target population, and second, to provide context for interpreting the findings. The results of this analysis are presented in Table 4.2.

Table 4. 2: Demographic Profile of the Respondents

Background information	Distribution	Frequency	Percentage
Gender	Male	128	48.1%
	Female	138	51.9%
Age	Under 30 years	56	21.1%
	31-40 years	70	26.3%
	41-50 years	98	36.8%
	Over 50 years	42	15.8%
Educational qualification	Certificate	14	5.3%
	Diploma	84	31.6%
	Undergraduate degree	98	36.8%
	Postgraduate degree	70	26.3%
Organizational tenure	Less than 1 year	35	13.2%
	1-5 years	55	20.7%
	6-10 years	97	36.5%
	11 and more years	79	29.7%

The demographic profile of the respondents reveals a near-equal gender distribution, with a slight majority being female (51.9%). The age distribution indicates a relatively mature sample, with the largest proportion falling within the 41-50 years bracket (36.8%), followed by the 31-40 years group (26.3%). In terms of education, the majority of respondents held either an undergraduate degree (36.8%) or a diploma (31.6%), with a substantial portion also possessing a postgraduate degree (26.3%). Regarding organizational tenure, the largest segment of respondents had been with their respective organizations for 6-10 years (36.5%), suggesting a considerable level of experience within the sampled population, while a smaller but notable proportion had been in their roles for 11 or more years (29.7%).

These findings provide a snapshot of the demographics of HR officers within the SMEs. They reveal a diverse demographic representation in terms of gender, age, education, and

organizational tenure, offering varied perspectives that enrich the analysis and interpretation of the study's results. The respondents' demographic profile also indicates that data was collected from well-educated and professionally experienced participants who were knowledgeable of the fundamentals of the research topic. Therefore, the findings of this study are of high quality.

4.4 Demographic Statistics

Demographic statistics, specifically the mean and standard deviation, were employed to generate a summary of the responses for each variable in the study. The measure of central tendency was used to provide an overall understanding of the typical response for each variable. On the other hand, the standard deviation measured the extent of variation within the data, helping to determine how spread out the responses were from the mean.

4.4.1 Resource Slack

To assess the perceived state of resource slack within the SMEs, respondents were asked to indicate their level of agreement on a 5-point Likert scale, ranging from 1 (strong disagreement) to 5 (strong agreement). The aggregated responses are detailed in Table 4.3.

Table 4. 3: Resource Slack

	Mean	**SD**
I think that the firm has sufficient cash holdings to invest in sustainability opportunities as they arise.	1.9474	1,0005
In my view, the firm can access external sources of finance, which consequently enables it to invest.	3.2481	1.4506
In my opinion, the firm's profitability is satisfactory, making it possible to sustain operations and invest.	2.8947	1.3751
I am of the view that the firm's credit score restricts its ability to obtain credit from lenders.	3.1917	1.2487
Overall Mean	**2.8205**	**1.2687**

The overall mean of 2.82, with a standard deviation of 1.2687, suggests that respondents generally held a neutral to slightly negative view regarding their firm's ability to invest in sustainability due to resource slack. This is indicative of the SMEs' resource capacity to invest in arising opportunities, which also exhibited a degree of variability. For instance, the low mean score (1.95) for sufficient cash holdings suggests that the respondents generally perceive their firms' internal liquid assets as inadequate to readily invest.

While there was a slightly more positive outlook on accessing external finance (Mean = 3.2481), the higher standard deviation indicates significant variability in this perception, suggesting that access to external funding is not the same for all SMEs surveyed. Similarly, the near-neutral mean (2.89) for satisfaction with profitability implies that while SMEs might be sustaining current operations, their profitability levels are not as robust enough to accommodate additional investments. Finally, the mean score (3.19) for credit score implies a potential systemic challenge in accessing external capital, further limiting their financial flexibility for various endeavours.

Overall, the data suggests that resource constraints, particularly in terms of readily available cash and profitability, represent a substantial hurdle for SMEs in Nairobi, Kenya.

4.4.2 Top Management Support

To assess the perceived state of top management support for sustainable employment practices within their SMEs, respondents were asked to indicate their level of agreement on a 5-point Likert scale, ranging from 1 (strong disagreement) to 5 (strong agreement). The aggregated responses are detailed in Table 4.4.

Table 4. 4: Top Management Support

	Mean	**SD**
I believe that the firm's top management is involved in and advocates for sustainability initiatives.	3.4737	1.3151
It is my view that the top management prioritizes resource allocation for sustainability programs.	3.3158	1.1285
In my opinion, the actions and decisions taken by the top management align with the principles of sustainability.	3.4211	1.0440
I think that the top management engages all key stakeholders on sustainability matters.	3.2105	1.0060
Overall Mean	**3.3553**	**1.1234**

The findings indicate a generally positive perception (although not overwhelmingly) of top management support for sustainable employment practices within the surveyed SMEs. The overall mean of 3.36, above the midpoint of the 5-point Likert scale, suggests that respondents tended to agree that their top management was involved in and advocated for sustainability

initiatives. This perception was consistent across the individual measures of top management support, as demonstrated in the table.

For instance, the highest-rated item has a mean score of 3.47, suggesting that respondents were of the opinion that top management was involved in and advocated for sustainability initiatives, although not overwhelmingly so. Similarly, the mean score for prioritizing resource allocation (M = 3.32) and aligning decisions with sustainability principles (M = 3.42) reflect a moderate level of agreement. However, the slightly lower mean score (3.21) for engaging key stakeholders indicates that while management was seen as supportive, there may be room for improvement in fully involving stakeholders in sustainability decisions.

The standard deviations, ranging from 1.01 to 1.32, suggest a moderate level of variability in these perceptions, indicating that while a generally positive trend exists, there were some differences in the extent to which respondents agree with each specific aspect of top management support.

4.4.3 Organizational Culture

To assess the perceived state of organizational culture for sustainable employment practices within their SMEs, respondents were asked to indicate their level of agreement on a 5-point Likert scale, ranging from 1 (strong disagreement) to 5 (strong agreement). The aggregated responses are detailed in Table 4.5.

Table 4. 5: Organizational Culture

	Mean	SD
I think that the shared beliefs and core values in place centre on sustainability.	2.7895	1.3629
In my view, the existing workplace culture fosters employee empowerment.	2.9474	1.3588
It is my opinion that the firm's corporate culture creates a sense of belonging for everyone.	2.6842	1.2185

I believe that the firm's workplace culture aims to promote sustainability.	2.9474	1.2787
Overall Mean	**2.8421**	**1.3047**

The overall mean of 2.84 for organizational culture suggests a slightly negative to neutral perception regarding the extent to which their firms' cultures actively support sustainability. Specifically, while there's a near-neutral sentiment regarding the existing workplace culture fostering employee empowerment (M = 2.94) and aiming to promote sustainability (M = 2.94), respondents tended to lean slightly towards disagreement that the shared beliefs and core values in place centred on sustainability (M = 2.79) and that the SMEs' corporate culture created a strong sense of belonging for everyone (M = 2.68). These findings suggest that organizational cultures are not strongly aligned with sustainability principles, potentially hindering the SMEs' ability to fully embrace sustainable employment practices.

The relatively high standard deviations across all items, ranging from 1.22 to 1.36, indicate considerable variability in these perceptions, suggesting that the extent to which organizational culture in these SMEs is orientated towards sustainability was not consistent. This mixed assessment implies that while some SMEs had their cultural dynamics based on sustainability, others did not.

4.4.4 Employment Regulations

To assess the perceived state of employment regulations for sustainable employment practices within the SMEs, respondents were asked to indicate their level of agreement on a 5-point Likert scale, ranging from 1 (strong disagreement) to 5 (strong agreement). The aggregated responses are detailed in Table 4.6.

Table 4.6: Employment Regulations

	Mean	SD
I believe the current employment laws and policies are designed to promote sustainable employment	2.5489	1.3658
I think that existing sustainability regulations are strict and impose severe penalties for non-compliance.	2.5789	1.0934
I am of the opinion that regulatory bodies provide sufficient support and guidance on sustainability issues	2.1053	1.0729

I believe the financial burden of becoming compliant with sustainability is manageable.	3.2105	1.2411
Overall Mean	**2.6109**	**1.1358**

The findings indicate a moderately low perception of the adequacy and supportiveness of employment regulations in fostering sustainable employment practices, as reflected by an overall mean of 2.61 at a standard deviation of 1.14. Respondents showed the lowest agreement with the statement that regulatory bodies provide sufficient support and guidance on sustainability issues (M = 2.11), pointing to a significant gap in institutional support. Similarly, there was limited agreement that current employment laws and policies promote sustainability (M = 2.55) or that sustainability regulations are strict and enforceable (M = 2.58). However, the relatively higher agreement that the financial burden of becoming compliant is manageable (M = 3.21) suggests that cost may not be the primary barrier to compliance but rather the lack of robust policies and institutional guidance.

Overall, these findings imply that the current employment regulatory landscape is not widely perceived as supportive or adequate in guiding the implementation of sustainable employment practices, with a significant concern regarding the lack of sufficient support from regulatory bodies.

4.4.5 Sustainable Employment

To assess the perceived state of sustainable employment practices within their SMEs, respondents were asked to indicate their level of agreement on a 5-point Likert scale, ranging from 1 (strong disagreement) to 5 (strong agreement). The aggregated responses are detailed in Table 4.7.

Table 4. 7: Sustainable Employment

	Mean	SD
This organization recruits candidates who are environmentally conscious and have a commitment to sustainability.	3.4737	1.0467
This organization fosters a diverse and inclusive workplace environment that values and respects all employees regardless of their backgrounds.	3.7368	1.5192
This organization allows employees to work from home for the purpose of reducing the carbon footprint associated with commuting and office work.	3.2105	1.2411

This organization promotes physical and mental health through employee wellness programs.	3.3684	1.1815
This organization implements eco-friendly practices in the workplace, such as waste reduction, recycling programs, and use of sustainable office suppliers.	3.5263	1.1885
Overall Mean	**3.4632**	**1.2354**

As evidenced by the overall mean of 3.46, there is a reasonable level of adoption of sustainable employment practices among the surveyed SMEs in Nairobi County. Specifically, the highest mean score (3.74) is observed for fostering a diverse and inclusive workplace, suggesting a strong emphasis on this aspect of social sustainability. The recruitment of environmentally conscious candidates (M=3.47) and the implementation of eco-friendly workplace practices (M=3.53) also show significant levels of adoption, indicating a recognition of environmental sustainability. Practices such as allowing work from home to reduce carbon footprint (M=3.21) and promoting employee physical and mental health through wellness programs (M=3.37) are also present, but with slightly lower mean scores, suggesting these are less prioritized compared to the other initiatives. The standard deviations, ranging from 1.05 to 1.52, indicate a moderate to considerable variability in the implementation of these practices across the SMEs, with diversity and inclusion showing the widest range of adoption levels.

In summary, the data suggest that Nairobi's SMEs actively work toward integrating sustainable employment practices, with notable strengths in fostering diversity and implementing eco-friendly initiatives. However, the variability in responses indicates differing perceptions among respondents, highlighting the need for consistency in policy enforcement and practice adoption.

4.5 Inferential Statistics

Following the descriptive statistical summary of the responses for each of the study's variables, the study proceeded to perform inferential statistics to examine the relationships between the variables and draw inferences about the target population based on the sample data.

4.5.1 Correlation Analysis

The study performed correlation analysis to examine the strength, direction, and significance of the monotonic association between the study's variables. The results of the analysis are shown in Table 4.8.

Table 4. 8: Spearman's rank correlation

			SEP	RS	TMS	OC	ER
Spearman's rho	SEP	Coefficient	1.000				
	RS	Coefficient	.670**	1.000			
	TMS	Coefficient	.935**	.590**	1.000		
	OC	Coefficient	.955**	.650**	.910**	1.000	
	ER	Coefficient	.364**	.808**	.254**	.318**	1.000

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

The Spearman's rho matrix reveals strong and statistically significant positive relationships between sustainable employment and resource slack, top management support, and culture. There is a very strong correlation between sustainable employment and organizational culture (r=.955, p<.01), indicating that the presence of a sustainability-based culture coincides highly with sustainable employment practices. Similarly, top management support shows a very strong correlation with sustainable employment (r=.935, p<.01), emphasizing that the existence of leadership support goes hand-in-hand with sustainable employment practices. Resource slack exhibits a moderate correlation with sustainable employment practices (r=.670, p<.01) and employment regulations demonstrate a weaker but a statistically significant correlation with sustainable employment practices (r=.364, p<.01).

Examining the inter-correlations among the independent variables, several significant relationships are revealed. Both top management support and culture exhibit strong correlations with resource slack (r=.590, p<.01) and (r=.650, p<.01), respectively. Furthermore, top management support and culture are very strongly correlated with each other (r=.910, p<.01). Notably, employment regulations show moderate correlations with resource slack (r=.808, p<.01) but weaker positive correlations with leadership support (r=.254, p<.01) and culture (r=.318, p<.01). This pattern implies that while regulatory factors might influence resource availability, their association with leadership and the overall culture towards sustainability is less pronounced than internal organizational factors.

4.5.2 Structural Modelling

The study applied the Partial Least Square Structural Equation Modelling (PLS-SEM) to examine the predictive relationship between the variables of the study. This was done in order to draw inferences about the research topic, that is, the influence resource slack, top leadership support, organizational culture, and employment regulations have on SMEs' ability to adopt sustainable employment practices.

4.5.2.1 Measurement Model Assessment

Prior to the analysis, the study's structural model was assessed by examining the reliability and validity of the individual constructs. This involved undertaking Cronbach's alpha statistic and composite reliability (CR) tests to examine the internal consistency of the constructs and average variance extracted (AVE) to examine convergent validity. The findings of these tests are shown in Table 4.9.

Table 4. 9: Construct reliability and validity

Constructs	Items	Loading	Alpha	CR	AVE
Resource Slack	RS_1	0.801	0.746	0.958	0.851
	RS_2	0.829			
	RS_3	0.772			
	ERSR_4	0.064			
Top management support	TMS_1	0.910	0.942	0.958	0.851
	TMS_2	0.908			
	TMS_3	0.924			
	TMS_4	0.947			
Organizational culture	OC_1	0.931	0.949	0.963	0.867
	OC_2	0.913			
	OC_3	0.951			
	OC_4	0.929			
Employment regulations	ER_1	0.762	0.788	0.778	0.509
	ER_2	0.808			
	ER_3	0.879			
	ER_4	0.176			
Sustainable employment practices	SEP_1	0.875	0.826	0.880	0.600
	SEP_2	0.788			
	SEP_3	0.558			
	SEP_4	0.780			
	SEP_5	0.832			

Results of the validity and reliability tests suggest that all constructs achieved the internal consistency requirement since the required minimum value of 0.7 for Cronbach's alpha statistic was achieved. Similarly, the CR values for all five constructs exceeded the minimum requirement of 0.7, further confirming the internal consistency requirement. Furthermore, all

the constructs demonstrated AVE values greater than the recommended minimum of 0.50, indicating that the validity requirement was achieved.

Additionally, the Fornell-Larcker criterion was used to assess discriminatory validity. This statistical test requires that the square root of AVE values for all the constructs be higher than their highest correlation with each other. The results of the analysis are presented in Table 4.10.

Table 4. 10: Discriminatory validity

	ER	OC	RS	SEP	TMS
Employment Regulations	0.914				
Organizational Culture	0.867	0.931			
Resource Slack	0.829	0.799	0.694		
Sustainable Employment Practice	0.945	0.943	0.822	0.774	
Top Management Support	0.813	0.881	0.773	0.922	0.922

The results above indicate that the model demonstrated adequate validity. Therefore, also considering the reliability tests conducted earlier, all constructs met the necessary conditions for structural modelling.

4.5.2.2 Structural Model Analysis

Following the satisfaction of the necessary conditions, the study undertook the analysis of the structural model. This began by first computing the standard root mean residual (SRMR) and the coefficient determination (R-Square) to examine the fitness of the structural model. Hair and Alamer (2022) point out that a good model should have an SRMR value of less than 0.1. In this case, an SRMR value of 0.078 was obtained, implying that the model was a good fit. Similarly, with an R-Square value of 0.931, the model had a strong predictive power, confirming that it was a good fit for the data.

Accordingly, the structural modelling for the constructs, examining the hypothesized relations, was performed, and the results are presented in Table 4.11.

Table 4. 11: Structural Model

Endogenous constructs	**R-Square**				
Sustainable employment practice	0.931				
Hypotheses	**Estimate**	***t*-statistic**	***p*-value**	**Percentile 95% CI**	**Support**
RS → SEP	0.108	2.145	0.032	[0.013;0.209]	Yes

TMS → SEP	0.375	12.305	0.000	[0.315;0.433]	Yes
OR → SEP	0.523	12.839	0.000	[0.440;0.599]	Yes
ER → SEP	0.006	0.159	0.874	[0.075;0.084]	No

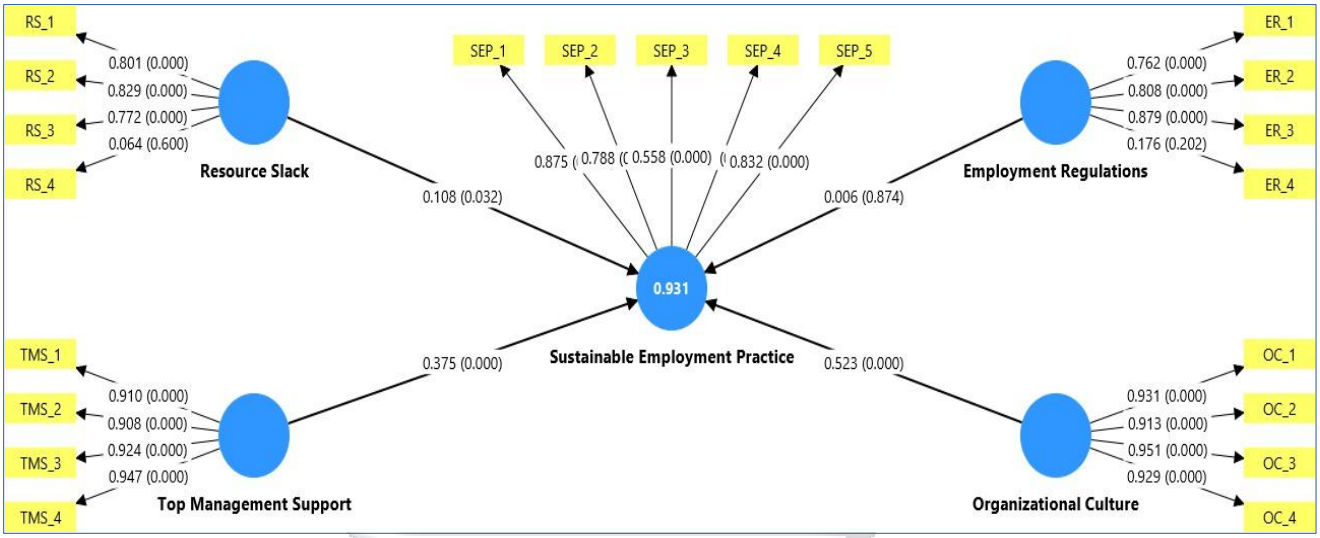
As demonstrated in Table 4.11, the PLS-SEM analysis reveals that the model significantly explains a substantial of the variance in sustainable employment practices (93.1%). This implies a very strong predictive power of the included factors. The results strongly support three out of the four hypothesized relationships, as denoted by the values of the *t*-statistic, *p*-value, and the percentile bootstrap of 95% confidence interval.

Three of the four independent variables exhibit positive and statistically significant effect on sustainable employment practices. However, the strength of the effect of these specific variables varies, as denoted by the values of the path coefficients. For instance, top management support (β=0.523, $p<.05$) as the most significant determinant of in SMEs in Nairobi County, followed by top management support (β=0.375, $p<.05$). This underscores the critical roles of a supportive organizational environment and committed leadership in driving the adoption of sustainable employment practices within SMEs. Resource slack also shows a statistically significant positive effect on sustainable employment practices (β=0.108, $p<.05$), suggesting that the availability of resources, while less influential than culture and leadership, still plays a role in enabling these practices.

However, the hypothesis that employment regulations significantly influence sustainable employment practices is not supported by the analysis. The path coefficient for employment regulation and sustainable employment practices is very negligible and statistically insignificant (β=0.006, $p>.05$). This suggests that, in this model and context, the direct effect of employment regulations on the implementation of sustainable employment practices is negligible. This could imply that other factors, such as internal organizational culture, leadership, and resources, are more influential in shaping these practices within the studied SMEs in Nairobi County, potentially overshadowing the direct effect of the current regulatory framework.

Figure 4.1 serves as a visual representation of the results of the structural model, highlighting path coefficients for the studied relationships along with the significance levels and loadings for all the constructs.

Figure 4. 1: Structural Model



4.6 Chapter Summary

In this section, the findings of the study have been presented in a systematic manner via tables and figures. These findings include the study's response rate, the demographic profile of the participants, descriptive statistical analysis of the variables, and inferential statistics.

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CHAPTER FIVE
SUMMARY, DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

The study aimed to investigate the factors influencing the adoption of sustainable employment practices by small and medium enterprises in Nairobi, Kenya, with a particular emphasis on resource slack, top management support, organizational culture, and employment regulations. This section of the study provides a comprehensive discussion of the key findings presented in the previous chapter. Additionally, it offers a conclusion of the overall study, highlights the implications of the findings, addresses the study's limitations, and proposes recommendations for future research in this area.

5.2 Summary of the Key Findings

The study achieved a sufficient response rate, enhancing the reliability, validity, and generalizability of the findings. Additionally, because of the demographic profile of the respondent sample, data was collected from well-educated and professionally experienced participants who were knowledgeable of the fundamentals of the research topic, further enhancing the quality of the findings.

The outcome of descriptive statistical analysis reveals a moderately positive view of top management support and slightly negative perceptions of resource slack, organizational culture, and employment regulations. These findings suggest that while there is favourable support from top leadership for sustainable employment initiatives within SMEs, the predominant organizational cultures and employment regulations are not conducive enough to drive sustainability. Also, SMEs in Nairobi face resource constraints when undertaking sustainability-driven initiatives. Despite these shortcomings, according to respondents' view, there is a reasonable level of adoption of sustainable employment practices among the surveyed SMEs in Nairobi County.

Inferential statistical analysis offers interesting insights into the relationships between the variables. Sustainable employment practice exhibited a very strong positive and statistically significant correlation with top management support and organizational culture, a moderate correlation with resource slack, and a weak positive correlation with employment regulation.

Regarding PLS-SEM analysis, three of the four sets of factors were observed to have a significant positive effect on sustainable employment: resource slack, top management support, and organizational culture, with organizational culture having the strongest effect. The effect of employment regulation is not statistically significant.

5.3 Discussion

In this section, an in-depth discussion of the study's key findings is provided, accompanied by their alignment with the study's theoretical framework and reviewed literature. The section is structured according to the specific objectives of the study.

5.3.1 Resource Slack and Sustainable Employment

The study sought to examine the influence of resource slack on the implementation of sustainable employment practices in SMEs in Nairobi County. Given the respondents' views, SMEs in Nairobi are underequipped in terms of resources to fully pursue sustainable employment practices. The specific areas of concern include the availability of financial resources, access to external funding, and profitability issues. In particular, despite the reported willingness to invest in sustainable employment initiatives, SMEs are unable to take on such opportunities due to limited cash holdings, which is further exacerbated by low profitability and inability to secure external funding.

Despite the observed resource constraints, inferential statistical analysis demonstrates that resource slack has a significant predictive effect on sustainable employment practices. This means resource slack is a significant predictor of the successful adoption of sustainable employment practices. In other words, since resource slack refers to the availability of surplus resources within an organization when an SME has resource slack, it possesses the flexibility to experiment with and implement new initiatives, such as sustainable employment practices. Therefore, the observed effect of resource slack on the adoption of sustainable employment supports the foundational principles of both contingency and triple bottom line theory, the study's primary and supporting theoretical framework.

Contingency theory posits that "organizational outcomes depend on the alignment between various internal and external factors" (Harney, 2023). In this case, the finding demonstrates that an SMEs' ability to successfully achieve sustainable employment practices as an

organizational outcome is contingent upon the availability of surplus resources or resource slack. Meanwhile, the triple bottom line model "emphasizes the importance of balancing economic, environmental, and social factors in organizational decision-making" (Shim et al., 2021). Resource slack allows SMEs to invest in practices that not only ensure business profitability (economic) but also address environmental and social responsibilities, thereby achieving a sustainable balance across all three dimensions. This alignment highlights how the availability of resources influences an organization's ability to pursue sustainability in a way that is responsive to its specific context.

Furthermore, the observed significant effect of resource slack on the adoption of sustainability-driven employment practices is backed by several empirical findings, including (Boso et al., 2017; de Carvalho Ferreira et al., 2016; Kimanzi & Gamede, 2020; Kuchia & Mburugu, 2019; Li et al., 2023; Mbula, 2020; Okolo et al., 2023; Onuoha & Nkwor, 2021). However, the finding is not consistent with the findings of (Sang, 2024; Vitale et al., 2023) argue that the effect of resource slack on sustainability is not statistically significant. The importance of resource slack in achieving sustainability goals is well illustrated in the aforementioned studies. For instance, in the case of sustainable employment, Boso et al. (2017) and de Carvalho Ferreira et al. (2016) point out that resource slack provides flexibility for organizations to invest in new initiatives, experiment with different practices, and absorb potential risks without threatening their operations.

Therefore, in the context of sustainable employment practices within SMEs, surplus resources is a significant factor because they enable these enterprises to allocate sufficient resources toward adopting practices that promote sustainability in the workplace. Put simply, when SMEs have resource slack in terms of time, finances, manpower, infrastructure, or other assets, they are better positioned to consider, prioritize, and integrate sustainable employment practices without undermining other critical business functions. Put simply, organizations with ample resource slack are more likely to successfully implement sustainable employment practices as they have the necessary capacity to absorb the costs and effort involved.

5.3.2 Top Management Support and Sustainable Employment

The second specific objective of the study was to determine the influence of top management support on the implementation of sustainable employment practices by SMEs in Nairobi, Kenya. A comparative analysis of the four sets of factors reveals that top management support

was the highest-rated variable of the four sets of factors. This implies that in most SMEs, there was some degree of commitment to sustainability initiatives from their leaders. Further analysis reveals that for a significant number of the surveyed SMEs, their top leaders were involved in and advocated for sustainability programs, prioritized resources for sustainability initiatives, made decisions that aligned with sustainability principles and engaged key stakeholders. This observation suggests a high level of willingness of SME leaders to invest in sustainability-driven initiatives.

Inferential statistics were performed to examine whether leadership support translates to increased adoption of sustainable employment practices. Indeed, according to the findings of regression analysis, leadership support is a significant determinant of sustainable employment practices within SMEs. This means that leadership support plays a pivotal role in driving the adoption of sustainable employment practices within SMEs. When leaders actively advocate for and prioritize sustainability, they set the tone, encouraging employees to embrace ethical and responsible practices. Effective leadership ensures the allocation of necessary resources, fosters collaboration, and provides strategic direction, enabling the integration of sustainability into employment policies and practices. Without strong leadership backing, these initiatives are less likely to gain traction or achieve their intended effect within the organization.

The observed relationship between leadership support and the adoption of sustainable practices aligns with the tenets of both contingency and the bottom-line theory. In the context of contingency theory, the support of SMEs' top leadership is seen as a critical driver of successful sustainability programs. In other words, the success of the adoption of sustainable employment practices within SMEs is contingent upon leadership support as a critical internal factor. Regarding the triple bottom line model, when a leader commits to sustainability, they create a framework that encourages the SME to pursue goals that lead to significant economic, social, and potentially environmental benefits. The support ensures that all three aspects of the triple bottom line are part of the SME's operations, driving long-term value across all dimensions.

The finding also corroborates several previous literature (Alkaf et al., 2023; Chawewong & Naipinit, 2023; Hossain et al., 2022; Yong et al., 2022; Yusliza et al., 2019). These studies emphasize the critical role of leadership in undertaking and sustaining sustainability initiatives. For instance, Chawewong and Naipinit (2023) mention that leadership support improves sustainability by providing clear direction, setting priorities, and allocating the necessary resources to implement sustainable practices. Yusliza et al. (2019) also add that when leaders

are committed to sustainability, they create a culture that values long-term environmental, social, and economic benefits, which encourages employees to align with these values. Also, according to Alkaf et al. (2023), leadership support fosters innovation by encouraging the adoption of green technologies, ethical labour practices, and responsible resource management.

5.3.3 Organizational Culture and Sustainable Employment

The third specific objective of the study was to determine the effect of organizational culture on the implementation of sustainable employment practices by SMEs in Nairobi, Kenya. From their views, respondents hold a relatively low perception of organizational culture. These findings suggest that predominant organizational cultures within Nairobi-based SMEs are not strongly aligned with sustainability principles, potentially hindering the SMEs' ability to fully embrace sustainable employment practices. This discovery is consistent with the empirical views of Das et al. (2020a) and Das et al. (2020b), who point out that SMEs in developing countries generally lack a deeply embedded corporate culture that strongly supports sustainability. They attribute this gap to limited resources, lower awareness, and the absence of formalized structures for sustainability within their organizational cultures.

Despite the lack of supportive corporate culture, inferential statistics observed a strong predictive effect of organizational culture on the adoption of sustainable employment practices. In fact, of the four sets of factors examined, organizational culture emerged as the strongest predictor of the four factors. This finding confirms that a supportive corporate culture is imperative when considering sustainability programs, even more important than the availability of extra resources, leadership support, and external factors like employment regulations. Therefore, this finding supports both theories of the study. Regarding contingency theory, the study demonstrates that the ability to achieve desirable outcomes in sustainable employment is largely dependent upon the corporate culture in place. Also, the favourable culture is instrumental in achieving all three dimensions of performance as proposed by the triple bottom line model.

Additionally, the observed predictive effect of organizational culture on sustainable employment practices implementation is backed by several existing empirical findings (Adebayo et al., 2020; Gikunda et al., 2022; Huseynova & Matošková, 2022; Madandola & Boussaa, 2023; Medina-Álvarez & Sánchez-Medina, 2023; Mehta & Mehta, 2017; Ogwari, 2021; S. Wang & Huang, 2022). These studies all demonstrate the importance of the right

corporate culture in facilitating sustainability. According to Huseynova and Matošková (2022), organizational culture enhances sustainability in firms by shaping employees' values, attitudes, and behaviors toward sustainable practices. Mehta and Mehta (2017) also say, “A culture that prioritizes sustainability fosters a shared commitment to responsibility, encouraging employees at all levels to adopt sustainable practices in their day-to-day operations.” Therefore, in the context of this study, when sustainability becomes ingrained in SMEs’ core values, it encourages sustainability but also attracts and retains employees who are passionate about sustainability.

5.3.4 Employment Regulations and Sustainable Employment

The study also sought to examine the influence employment regulations have on the adoption of sustainable employment practices by SMEs in Nairobi as the fourth specific objective. The findings provide valuable insights into Kenya’s regulatory environment in the context of corporate sustainability. Generally, respondents felt that the current regulatory frameworks are not sufficient to drive sustainability initiatives. Specifically, challenges related to the lack of support from regulatory bodies and the current laws and policies not sufficiently promoting sustainability were raised. This finding is in agreement with the views advanced by the World Bank (2019), suggesting that developing nations often lack clear or comprehensive regulations on sustainability. Many face challenges with weak, fragmented, or inconsistent legislative and regulatory frameworks, especially in sectors critical to sustainable development like natural resources and extractive industries

Further analysis sought to establish the relationship between employment regulations and sustainability. Findings suggest regulatory frameworks do not have a significant effect on SME’s adoption of sustainable employment practices. In other words, the changes to the regulatory framework would not have a meaningful effect on SMEs’ ability to successfully integrate sustainable practices within their operations. Therefore, this observation does not support the propositions of both contingency theory and the triple bottom line model. This is because the result demonstrates that the adoption of sustainability is not contingent upon regulations. This also shows that regulations are not important to SMEs’ initiatives to achieve all three dimensions of performance, as emphasized in the triple bottom line model.

The finding that employment regulations have a nonsignificant effect on the implementation of sustainability is consistent with several studies (Spraul & Höfert, 2021; Tonui, 2022; Zulu

et al., 2023) but is in contrast with a few others (Omamo, 2018; M. Wang et al., 2022). The lack of significance of regulatory frameworks is pointed out by Spraul and Höfert (2021), who point out that while the regulatory matters, "self-regulation measures by sustainability-driven efforts exert more influence in driving sustainable business practices." According to Zulu et al. (2023), compliance alone does not necessarily drive proactive or innovative sustainable practices. While regulations set minimum standards, they often focus on compliance rather than encouraging firms to go beyond legal requirements or adopt more ambitious sustainability initiatives. In this case, SMEs may view regulations as mere obligations to be met rather than as opportunities for improvement or long-term value creation.

5.4 Conclusion of the Study

The study provides critical insights into the factors influencing the implementation of sustainable employment practices among Nairobi-based SMEs. It reveals that both internal factors, such as resource slack, top management support, and organizational culture, and external factors, such as employment regulations, play varying roles in shaping these practices. While respondents indicated a moderate positive perception of leadership support for sustainability, the overall ratings for resource slack, organizational culture, and employment regulations were relatively low, suggesting areas for improvement. Notably, findings of inferential statistics suggest that resource slack, organizational culture, and top management support significantly influence the adoption of sustainable employment practices, with organizational culture having the most pronounced effect, followed by top management support. Employment regulations, on the other hand, were found to have no significant effect on sustainability practices. These findings emphasize the critical need for a robust corporate culture and proactive leadership in driving sustainability initiatives. Therefore, the study concludes that resource slack, organizational culture, and leadership support are the primary drivers of sustainable employment practices in SMEs, with organizational culture and leadership support being the most crucial factors for success in sustainability initiatives.

5.5 Implications of the Study

The study has significant policy, practical, and theoretical implications based on the findings, as detailed below:

5.5.1 Policy Implications

At the policy level, the study underscores the necessity for policymakers to create targeted strategies that support SMEs in implementing sustainable employment practices. Given the significance of organizational culture and leadership support, policies should focus on fostering sustainability-based leadership development programs and promoting organizational values that prioritize sustainability. Policymakers should incentivize SMEs to adopt sustainability frameworks by providing financial assistance, tax benefits, or grants to alleviate the constraints posed by limited resource slack. Additionally, reforms for employment regulations are necessary to ensure alignment with the evolving needs of SMEs while maintaining a balance between regulatory compliance and operational flexibility.

5.5.2 Practical Implications

For SMEs, the findings emphasize the importance of strengthening internal structures to drive sustainability efforts effectively. SME owners and leaders should prioritize fostering a culture that values sustainable practices and actively involve leaders in championing these initiatives. Investing in resource optimization and creating mechanisms to improve resource slack can enable SMEs to overcome operational challenges and implement sustainable employment practices successfully. Furthermore, SMEs should explore partnerships with government bodies and industry associations to access tools and resources that can facilitate the integration of sustainable employment practices.

5.5.3 Theoretical Implications

The study also contributes to the theoretical understanding of sustainability adoption in SMEs by emphasizing the significance of culture, resource slack, and leadership support as key drivers. This aligns with and extends existing theoretical frameworks, particularly those within the fields of strategic management and organizational behaviour, such as contingency theory and the triple bottom line model, by highlighting how internal organizational factors, rather than external regulations, are more instrumental in promoting sustainable practices. Additionally, the study challenges the conventional view of regulatory frameworks as the primary driver of sustainability, suggesting that organizational dynamics may play a more significant role than previously understood. Future research can build on these insights to develop more comprehensive models.

5.6 Limitations of the Study

While offering valuable empirical contributions to the research topic, this study has several limitations that should be considered when interpreting the findings. First, the research was geographically focused on Nairobi, which limits the generalizability of the results to other regions in Kenya or beyond. The findings may not be applicable to SMEs operating in different cultural, economic, or regulatory environments. Additionally, the study's focus was limited to four specific sets of factors—resource slack, top management support, organizational culture, and employment regulations—leaving out other potentially important factors. Furthermore, the methodology used was exclusively quantitative, which may have restricted the depth of understanding that could be gained from qualitative insights, such as the personal experiences and perspectives of SME leaders and employees. These constraints should be kept in mind when applying the conclusions of the study to broader contexts.

5.7 Areas for Further Research

Future studies should seek to build on the gaps identified in this research by expanding the geographical scope to include SMEs from other cities and regions, which would provide a more comprehensive understanding of how regional differences influence sustainability practices. Additionally, future research could broaden the range of factors examined, incorporating variables such as financial performance, industry-specific challenges, and stakeholder involvement to gain a more holistic view of the drivers of sustainability in SMEs. A mixed-methods approach, combining both quantitative and qualitative techniques, would capture the nuances of how culture, leadership, and resource slack affect sustainability practices. Lastly, longitudinal studies could provide deeper insights into the long-term effect s of these factors on SME sustainability, helping to inform strategies for continuous improvement and resilience in changing business environments.

5.8 Chapter Summary

This section of the study offers a comprehensive discussion of the study accompanied by its overall conclusion. It highlights the importance of resources, leadership commitment, and organizational culture in fostering sustainability within SMEs. Based on these insights, the study makes critical policy, practical, and theoretical implications and further offers suggestions for areas for further research based on its limitations.

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APPENDICES

Appendix 1: Questionnaire

This questionnaire seeks to gather data on "The Factors Influencing Small and Medium Enterprises (SMEs) in Nairobi County in Implementing Sustainable Employment Practices." This survey is being conducted as part of the fulfilment of the degree of Masters of Science in Development Finance at Strathmore University. As such, it is purely for academic purposes. Your participation is voluntary, and the responses you provide will remain confidential. The survey shall not collect any personally identifiable information.

Read each question carefully and answer by ticking (✓) against the most appropriate answer.

PART A: BACKGROUND INFORMATION

1. Please state your gender

☐ Male ☐ Female

2. Please indicate your age

☐ Below 30 years ☐ 31-40 years

☐ 41-50 years ☐ Above 50 years

3. What is your highest level of Education?

☐ Certificate ☐ Diploma

☐ Undergraduate ☐ Postgraduate

4. How long have you worked with the company?

☐ Less than 1 year ☐ 1-5 years

☐ 6-10 years ☐ 11 years and above

PART B: RESOURCE SLACK

This section relates to resource slack by SMEs in Nairobi County. Please indicate your level of agreement on the following statements on resource slack in your firm. Please note: 1=Strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

	1	2	3	4	5

I think that the firm has sufficient cash holdings to invest in sustainability opportunities as they arise.					
In my view, the firm can access external sources of finance, which consequently enables it to invest in sustainability.					
In my opinion, the firm's profitability is satisfactory, making it possible to sustain operations and invest in sustainable employment.					
I am of the view that the firm's credit score restricts its ability to obtain credit from lenders.					
Other_____					

PART C: TOP MANAGEMENT COMMITMENT

This section relates to the commitment of the top management to sustainable employment. Please indicate your level of agreement on the following statements on top management commitment in your firm.

	1	2	3	4	5
I believe that the firm's top management is involved in and advocates for sustainability initiatives.					
It is my view that the top management prioritizes resource allocation for sustainability programs.					
In my opinion, the actions and decisions taken by the top management align with the principles of sustainability.					
I think that the top management engages all key stakeholders on sustainability matters.					
Other_____					

PART D: ORGANIZATIONAL CULTURE

This section relates to the organizational cultures of SMEs in Nairobi County. Please indicate your level of agreement on the following statements on organizational culture in your firm.

	1	2	3	4	5
I think that the shared beliefs and core values in place centre on sustainability.					
In my view, the existing workplace culture fosters employee empowerment.					
It is my opinion that the firm's corporate culture creates a sense of belonging for everyone.					
I believe that the firm's workplace culture aims to promote sustainability.					
Other_____					

PART E: EMPLOYMENT REGULATIONS

This section relates to employment regulations affect SMEs in adopting sustainability Nairobi County. Please indicate your level of agreement on the following statements on employment regulations in your firm.

	1	2	3	4	5
I believe the current employment laws and policies are designed to promote sustainable employment					
I think that existing sustainability regulations are strict and impose severe penalties for non-compliance.					
I am of the opinion that regulatory bodies provide sufficient support and guidance on sustainability issues					
I believe the financial burden of becoming compliant to sustainability is manageable.					
Other_____					

PART F: SUSTAINABLE EMPLOYMENT PRACTICES

This section relates to sustainable employment practices by SMEs in Nairobi County. Please indicate your level of agreement on the following statements on the adoption of sustainable employment practices in your firm.

	1	2	3	4	5
This organization recruits candidates who are environmentally conscious and have a commitment towards sustainability.					
This organization fosters a diverse and inclusive workplace environment that values and respects a11 employees regardless of their backgrounds.					
This organization allows employees to work from home for the purpose of reducing carbon footprint associated with commuting and office work.					
This organization promotes physical and mental health through employee wellness programs.					
This organization implements eco-friendly practices in the workplace such as waste reduction, recycling program, and use of sustainable office suppliers.					
Other_____					

Appendix 2: Ethical Approval

Strathmore UNIVERSITY

25th March 2025

Ms Nderitu Lucy,
lucy.mwarari@strathmore.edu

Dear Ms Nderitu,

RE: Factors Influencing the Implementation of Sustainable Employment Practices by Small and Medium Enterprises in Nairobi, Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2685/25.** The approval period is from **25th March 2025 to 24th March 2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC