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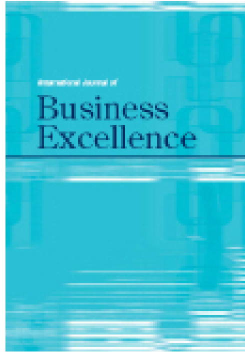

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Appolos Nwabuisi Nwaobia, Ishola Rufus Akintoye

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Sustainability practices and competitive advantage: implications for listed manufacturing companies in Nigeria

Appolos Nwabuisi Nwaobia* and
Ishola Rufus Akintoye

Babcock University,
Ilishan-Remo, Ogun State, Nigeria
Email: nwaobiaa@babcock.edu.ng
Email: akintoyer@babcock.edu.ng
*Corresponding author

Abstract: Scholars and practitioners have interest in the application of sustainability practices (SPR) as a tool for competitive advantage (CA) with many studies elicited, especially in the developed economies but with less emphasis in the manufacturing sector in Nigeria. This study examined the implications of adopting SPR as a tool for competitive advantage by listed manufacturing companies in Nigeria. Desk review with reliance on resource-based, legitimacy and signalling theories were engaged to evaluate the efficacy of SPR in enhancing brand value and reputation towards achieving CA. Benchmarking findings from developed economies, the study concluded that SPR is currently a top demand of stakeholders, and therefore a business imperative, which requires a management team with the updated skills and focus to benchmark global best practices for good results. This study is qualitative in nature, thus, an empirical study on the current state of sustainability practices in Nigeria is required.

Keywords: sustainability practices; SPR; competitive advantage; legitimacy theory; corporate social responsibility; ESG; resource-based theory; economic dimension; social dimension.

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Biographical notes: Appolos Nwabuisi Nwaobia is currently an Associate Professor in the Department of Accounting, School of Management Sciences, Babcock University Nigeria. He holds a BSc in Accounting and MBA in Finance from top ranked public universities in Nigeria namely University of Nigeria, Nsukka and Federal University of Technology, Owerri. He obtained his PhD from Babcock University, Ogun State, Nigeria. He has published several articles in international and local journals as well as chapters in books and proceedings. His research interest areas are financial reporting, audit and assurance, taxation and fiscal policy and sustainability.

Ishola Rufus Akintoye is a Professor of Accounting and SFM at the School of Management Sciences, Babcock University Nigeria. He holds a BA, BSc, MBA, PhD (Accounting) and PhD (FM). He attended the Premier University of Ibadan, Nigeria, Delta State University, University of Calabar and Sunderland University in the UK. He taught at the University of Ibadan, Ogun State

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University and Osun State University before joining Babcock University. He has published about 100 articles in reputable Local and International journals and graduated about 35 PhD students. His research interest is in human and sustainability accounting, and strategic financial management.

1 Introduction

In assessing business performance from the perspective of non-financial measures, the concept of competitive advantage assumes a centre stage. An entity's competitive edge is a key determinant of its long-term growth, stability and sustainability. As the dynamics of the business environment detect the direction of the market and its competition, management of forward-looking entities tend to respond by changing and adapting their strategies and business models to align with and satisfy the demands of investors and customers. This interplay between the demands of the environment and the entity's response is a driving force behind competitive advantage. Any entity that is able to scan the environment and speedily embed its demands in their strategic decisions and business model gains prime market position. In this regard Cohen and Levinthal (1990, p.128) asserted that a firm's absorptive capacity, that is, its "ability to recognize the value of new, external information, assimilate it and apply it to commercial ends…" gives it a solid base to gain competitive edge and ascendancy in its market environment. In line with this, Skordoulis et al. (2017, p.206) submitted that customers' awareness of environmental issues is on the increase and thus "the trend towards integrating sustainable management of the environment into business strategy has to do with its contribution to competitive advantage creation".

In the opinion of Ojo et al. (2015), in attempting to examine the link between sustainability practices and competitive advantage, it is necessary to assess whether sustainability practices are capable of generating competitive advantage and the conditions that underlie a firm's ability to generate competitive advantage from its environmental, social and governance (ESG) activities. In this regard, Ioannou and Serafeim (2019) in their study made a distinction between 'common' sustainability practices whose convergence over time is a condition for survival and ensuring legitimacy and the adoption of sustainability practices as "a form of strategic differentiation" that is capable of building competitive advantage. In the manufacturing sector as in all sectors of the economy, competition is intense and firms are striving for a fair share of their different markets. As a result, firms adopt strategies and programmes that can assist them to contain competitive pressures as well as achieve competitive advantage. Along this line manufacturing firms in many jurisdictions are considering the use of ESG practices as a viable strategy to win and sustain investors' and customers' patronage (Nsikan et al., 2015).

In its earliest stage sustainability practices were taken to be akin to meeting an entity's philanthropic responsibilities. It involved the entity giving back to the society as part of meeting societal expectations and gaining legitimacy as a good corporate citizen. Some entities today which are leaders in sustainability performance, such as Tata Group in India, Johnson & Johnson in the USA, Unilever in UK and the House of Tara in Nigeria, started from this background (CIMA, 2010; Motilewa and Worlu, 2015). Carroll's (1991) pyramid of corporate social responsibility (CSR) could be said to have

conceptualised sustainability practices from this perspective as it positioned philanthropy at the top of the pyramid as a desired activity for an entity to be regarded as a good corporate citizen.

Sustainability practices have evolved over time. The business environment has witnessed a big paradigm shift from the earlier concept of philanthropy to a broad-based concept that is viewed as a continuous process embracing economic, social, environmental and governance dimensions. In the words of Blundo et al. (2019), "sustainability, in this sense, is linked to the compatibility between the development of economic activities, the related social phenomena and the protection of the environment". While the entity is expected to guarantee reasonable returns to its shareholders, its other significant publics equally expect it to maintain a green environment, exert a positive social influence by adding value to human capital as well as be seen to have embedded in its governance structure clear strategies for continuous improvement on its sustainability practices and performance. This has led to calls for 'eco-innovative production processes' that entail not only the integration of ESG concerns into business practices but includes manufacturing products in a manner that will minimise the environmental and health impacts (Nkemkiafu et al., 2019). As Ayuso and Navarrete-Báez (2018, p.80) put it, there must be evidence of "the adoption of strategies and activities that meet both companies' needs and the current and future societal expectations".

Over the years, governments and other non-governmental bodies, for example, Global Reporting Initiative (GRI) and Governance and Accountability (G & A) Institute, have initiated and led sustainability policies and regulation. In the view of Aziz et al. (2018) the Malaysian government's 2007 regulatory mandate to all public listed companies in Malaysia to produce CSR comprising their social and environmental practices is an expression of her concern over green initiatives. In recent times, and following demands by investors and other stakeholders, market regulators and operators are increasingly coming with guidelines on sustainability practices and reporting to enhance good corporate governance and transparency among companies. Globally, literature reveals evidences of firms employing sustainability practices not just as a disclosure requirement (mandatory or voluntary) but more as a marketing tool to position themselves in their market space and enjoy some competitive advantage. In Nigeria, such evidences scarcely exist and very few studies in this area have been noticed by the authors of this study. For example, Nsikan et al. (2015) studied CSR and mobile telecommunication competitiveness in Nigeria while Motilewa and Worlu (2015) examined CSR as a tool for gaining competitive advantage (no defined sector). Many other existing studies deal with the effect of CSR or sustainability reporting on performance of companies in different industries.

This study fills this gap in literature by assessing the emerging application of sustainability practices and reporting as a tool for competitive advantage and its implication for listed manufacturing companies in Nigeria. It also draws the attention of management of listed manufacturing companies in Nigeria to the urgent need to integrate sustainability practices and reporting in their strategy and business models as well as develop leadership team that can bench mark global best practices in the area and be able to properly assess the risks and opportunities associated with integrating sustainability practices to the entity's activities.

The study is qualitative in its approach. It relies on positioning, resource-based, legitimacy and signalling theories, to argue that adoption and integration of sustainability practices into an entity's business model and strategy will enhance brand value and

reputation and achieve competitive advantage. In this regard, the study draws from literature evidences of companies that have used sustainability practices and reporting to gain competitive edge. It further evaluated the implications of worldwide uptake and developments in sustainability practices and reporting to manufacturing companies in Nigeria and highlights its policy implications to the management of these listed firms.

Following this introduction is the review of literature and theoretical framework, presented as Section 2. Section 3 gives the approach to the study; Section 4 presents the discussions and evidences while Section 5 concludes and highlights the managerial and policy implications for listed manufacturing firms in Nigeria.

2 Literature review and theoretical framework

2.1 Theory

The following theories found relevance in our present study, namely, positioning theory, resource-based theory, legitimacy theory and signalling theory.

Positioning theory, popularised by Harré and van Langenhove (1999) and Harré (2012), is indigenous to social psychology but has found wide application in the fields of communication, public relations studies, economics, organisational change and marketing. From the classical economics perspective, a key assumption of the theory is that firms in the same industry are homogeneous in the resources they possess and their choice of strategies. As such, a firm gains competitive advantage only by either being a cost leader or by differentiating itself (Nilssen et al., 2015). But as Ries and Trout (1981) submitted, positioning is what you do to the mind of a prospect (your relevant stakeholders) and not what you do to a product. Positioning is thus a process by which information about a company is communicated in such a way that the company and its products and services are perceived by the consumer to be differentiated from the competition, to occupy a particular space in the market (Fill, 2006 in Janssen and Hasselgren, 2008). In competitive positioning, a company defines how to differentiate its offerings in the process of creating value for its market; it strives to win a 'mindshare' in the market place as part of its corporate culture and strategy.

Sustainability practices though not mandatory, have had and continue to have voluntary guidelines by different regulatory bodies which give an indication of the public's desire for companies to pay attention to ESG. Firms that quickly and fully practice and report their activities in the various areas of sustainability concerns (environmental, social, economic and governance) endear and position themselves in the minds of the public and may likely enjoy a competitive advantage over their rivals, especially as first movers. Here lies the relevance of this theory to this study.

The resource-based view (RBV), popularised by Wernerfelt (1984) was proposed by Penrose in 1959. RBV analyses competitive advantage at firm level – the company and its resources. A major assumption is that differences in performance among firms are determined by the firm-specific resources available to a company at any given time. The RBV argues that firms possess resources, a subset of which enables them to achieve competitive advantage and a further subset which leads to superior long-term performance (Barney, 1991 in Wade and Hulland, 2004). The RBV believes that for a firm to achieve competitive advantage and sustain such an advantage, there has to be some level of resource heterogeneity in its stock of resources which may be difficult to

imitate and substitute or immobile or inelastic in supply (Ferreira et al., 2013). In the words of Nilssen et al. (2015, p.146), "a key issue is that firms have different abilities to select and implement strategies because resources can be heterogeneous and difficult to imitate. Strategic choices undertaken on the basis of valuable resources with limited mobility can therefore be sources for competitive advantage". In affirmation of this assertion Peters and Simaens (2020, p.7) asserted that "RBV first identifies a company's valuable, rare, inimitable and non-substitutable resources, which then create certain capabilities" which generates competitive advantage. This implies that the presence of differentiated and superior capabilities in the governance structure of a firm and management that can embed SPR into the business model and core strategy of an entity will confer competitive advantage.

Legitimacy theory is derived from the concept of organisational legitimacy, defined by Dowling and Pfeffer (1975) as a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy. Legitimacy, in its generic sense, is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995). Legitimacy theory therefore, believes that organisations would want to operate within the bounds and norms of their respective societies. That is, they attempt to ensure that their activities are perceived by the society as being legitimate (Nwaobia, 2015). In summary the legitimacy theory posits that companies have social contracts with the society and that relevant stakeholders have certain implicit and explicit expectations from the companies operating in the society (DiMaggio and Powell, 1991; Meyer and Rowan, 1977). This implies that in the domain of sustainability practices, companies are likely to respond to coercive (where SPR has been mandated), normative (expected social norms) and mimetic (imitating practices of industry peers and competitors) pressures (Ioannou and Serafeim, 2019). Within the context of our study, it follows that companies that voluntarily publish their sustainability practices in order to ensure compliance with ethical standards of the society enjoy legitimacy and may also have a competitive advantage (Cheung et al., 2010).

From financial reporting perspective, the signalling theory is focused on the information disclosure behaviour of managers in the presentation of their corporate reports. Managers of well performing firms tend to disclose the performance with greater transparency in their presentation of financial statements than managers of poorly performing firms. Thus, the level of information disclosure is seen by stakeholders as a signal of a healthy or an unhealthy company. It follows that companies make significant voluntary disclosures, (in this case their performance in sustainability practices), as an indication of their superior position to create a positive impression in the market (Healy and Palepu, 2001). Companies according to Ruhnke and Gabriel (2013) give the public more information about their environmental, economic and social performance to improve their image and reputation and to enhance their brand value.

2.2 Competitive advantage

The strategies and business models entities adopt are designed to create value in the short, medium and long term. Competitive advantage results from the cost/price premium gained by an entity in the value creation process. In other words, competitive advantage

is gained from a firm's ability to create value for its customers which is higher than the cost of creating it (Porter, 1998). Competitive advantage therefore refers to the advantage a company has over its rivals in the same market (Burns, 2008). It encompasses the attributes a company can deliver as well as the resources in its possession that will enable it be ahead of the competition. In this regard, earlier literature recognised two bases for gaining competitive advantage by any firm, namely cost leadership and differentiation. However, Tresna and Raharja (2018, p.227) submitted that gaining competitive advantage will involve "offering products or services with their uniqueness rather than competing (differentiation) or focusing on a particular segment (focus)". A competitive advantage can be any innovation, product, service, patent or anything else that differentiates the company in a positive way from the rest of the competition (Rijamampianina and Abratt, 2003). Again, when companies learn to structure their business model and strategy in such a way that they are able to make more with less, they tend to enjoy some competitive advantage.

To gain competitive advantage companies must be up to date on their knowledge of, and information about the nature of competition. They have to be cognisant of the dynamics of the environment and 'the fast pace changing needs of customers' (Ojo et al., 2015). Companies gain long-lasting competitive advantage when leadership can see beyond the present, think ahead, follow the path of innovation by developing new resources, capabilities, and activities that will drive their future performance. Along this line Nilssen et al. (2015, p.145) submitted that "the environment can change rapidly, and firms' resource portfolios will vary. What some businesses consider as threats, others may view as possibilities. This leaves room for different strategic adjustments". This implies that a company can gain competitive advantage through quick adaptation to structural changes in its environment and redefining strategies and business model to align with the shift in environmental needs and stakeholders' demands. Since an entity's strategy determines its configuration of activities and how they interrelate (Ojo et al., 2015), it follows that one activity's cost may be lowered because of the way other activities are performed. In the same vein, one activity's value to customers may be enhanced by the entity's other activities (Porter, 1996). Granted that the initial shift from profit maximisation-centric strategies to sustainability activities may increase operational costs in the short term, such investments improve public perception and recognition of the company and are likely to position it for greater profitability in the long term. Moreover, reports by Governance and Accountability Institute indicate an increasing demand of sustainability reports from investors and potential investors (G & A, 2019), as they maintain that accounting numbers are no longer sufficient for informed investment decision making.

Ranjith (2016), on the other hand, submitted that there should be a fit between business models and successful business strategies as sound business models have the ability to propel growth. To him, a business model is a "firm's theory of competitive advantage and above all it creates value to its shareholders" (p.204).

In sum, competitive advantage comes from the value a firm creates for its stakeholders that enables it to gain ascendancy over its peers in the competitive arena. This ascendancy can result from the superior quality of its products and services, lower costs of its services and products or from adherence to cherished societal ethical practices and values that enable it to position itself in the market space and entrench its legitimacy in its operating environment.

2.3 Sustainability and sustainability practices

The term sustainability has evolved over time and has been interchanged with corporate social responsibility (CSR), corporate citizenship, corporate accountability, sustainable business, environmental responsibility, the triple bottom line or responsible business and encompasses "the broad set of economic, environmental, social and governance considerations that can impact a company's ability to execute its business strategy and create or destroy value" [NSE, (2018), p.5]. Nsikan et al. (2015, p.529) described the concept as being "contextual not only in terms of its corporate environment but also in terms of its national environment" including its international environment. The concept has attracted an avalanche of studies and the recent work of Baheti and Lenka (2021) has revealed an upward trend of literature and the growing importance of sustainable innovation practices.

While Korhonen (2003) in Goyal (2014) concluded that sustainability is impossible to define and very difficult to measure, many sustainability literatures affirm that there is no universally agreed definition of the term. Goyal (2014), Okwuosa and Amaeshi (2019), and NSE (2018) agree that sustainability is derived from sustainable development which has its origin in Brundtland report (Our Common Future) for the World Commission on Environment and Development (UNWCED, 1987). The document defined sustainable development as "development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (p.16). As Adedeji et al. (2020, p.405) put it, "this report woke up the sleeping giant in the academicians, practitioners and researchers for a response to incorporating the developmental dimensions of social, economic and environmental concerns needed to focus on the anxiety of the poor people worldwide" to entities' strategy and operations.

However, many attempts at defining the concept present it in terms of its components. For example, Laszlo and Zhexembayeva (2011) defined sustainability as the practice of incorporating environmental, health and social values in a company's core business with no trade-off in price or quality. For Ojo et al. (2015), sustainability is paying attention to activities as they impact on the environment. Christofi et al. (2012) documented that corporate sustainability is built around the three concepts of economic, social and environmental performance. Carroll's (1991) pyramid of corporate social responsibility described it in terms of four components that are believed to be sustainable practices namely, economic, legal, ethical and philanthropic. Philanthropic responsibilities, at the top of the pyramid, define the entity as a good corporate citizen while economic dimension at the base drives the other components.

Okwuosa and Amaeshi (2019, p.4), posited that within its wider concept sustainability "advocates for equitable and responsible business practices and use of natural resources by corporations situated in the right thing to do or normative thinking". This aligns with the thinking of Çalişkan (2014) that maintaining a balance between the three components of economic, social and environmental ensures equity among corporations, society and environment which are integral components of a system that interact among each other. The Brundtland report recognised the need for this balance as it put forward three components of sustainable development – economic growth, social equity and environmental protection and advised that economic and social development must be defined in terms of "sustainability in all countries… and must flow from a consensus on the basic concept of sustainable development" [UNWCED, (1987), p.41].

From whatever angle the concept is defined, it has to be understood from the perspective of the voluntary integration and management of the economic, social, environmental and governance impacts of a company's activities. According to Osisioma (2010, p.35) "a firm is not just a bundle of shares, but a collection of relationships between its owners, managers, employees, customers, suppliers and the society as a whole". Firms are an integral part of a society and their activities do have both positive and negative impacts on the society but it is widely believed that when sustainability is imbibed as a corporate culture, firms have greater potential to make positive contributions to social goals and human development. In this regard, Parida and Wincent (2019, p.2) have documented the "argument that sustainability, broadly defined as the management of balanced and responsible production to ensure enduring and long-lasting corporate relationships, living conditions and social conditions, will change the business landscape by placing new demands on the skills and abilities of a company's resource base".

In line with this global thinking, NSE (2018) sustainability disclosure guidelines recognise these components of sustainability practices which are explained below.

- *Economic:* Here attention is directed not only on the financial conditions of organisations but also extends to non-financial matters. The interest is on the impact of the entity's activities on the economic conditions of its stakeholders and the interaction or relationship with the economic systems at all levels – local, national, and global.

  Studies, for example Paun (2018) and Heuer (2017), report an increasing demand by users of sustainability reports, such as investors, on what the organisations contribute in sustaining the larger economic system.

- *Environmental:* "The environmental dimension of sustainability concerns an organisation's impact on living and non-living natural systems, including ecosystems, land, air, and water. Environmental indicators cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste)" [NSE, (2018), p.6].

  This aspect is described by the integrated reporting framework as the entity's natural capital that needs to be maintained and preserved. In this regard, it has been observed that firms are increasingly designing eco-centric business models not only to improve efficiency at the industrial level but also to support the future of the industry and the populace. It has been observed that the natural assets of the earth are being used faster than nature can regenerate them and there is the need to be deliberate and intentional in regenerating and preserving the environment (CIMA, 2010). There is also the need to ensure that wastes do not exceed the capacity (current and future) of the environment (Al-Dhaimesh and Al Zobi, 2019).

- *Social:* "The social dimension of sustainability concerns the impacts an organisation has on the social systems such as labour practices, human rights and relationship with communities within which it operates" [NSE, (2018), p.6]. Following this conceptual view, Carp et al. (2019, p.3) stated that "social responsibility practices influence the growth and streamlining of companies, in terms of both operational performance (by increasing sales) and increased market value, as well as by reducing the risk of litigation resolution."

- *Governance:* This dimension includes "subject areas of the NSE Corporate Governance Rating System. A key indicator of sustainability integration is clear assignment of accountabilities and responsibilities for environmental, social and broader economic performance from the board level through the corporate/group executive to the executive and operational management of each business division within a company" [NSE, (2018), p.6].

However, Yadav et al. (2018), in line with some other studies, for example, Ojo et al. (2015) perceived corporate sustainability as a three-dimensional concept – environmental, social, and economic. In their view, the economic dimension of sustainability requires that a company strikes a balance between maintaining appropriate cash-flow and liquidity and ensuring adequate return to stockholders. The "environmental dimension necessitates the company to have a positive environmental impact by preserving the stability of the environmental system and protecting natural resources and the social dimension encompasses contribution to the community to have a positive social influence through ways of incrementing value to the human capital" (p.532).

Günerergin et al. (2012) recommend an integrated and all-inclusive approach to the implementation of these dimensions of sustainability as a silo approach will not accomplish long-term sustainability. Ojo et al. (2015) affirmed this when they posited that the three aspects of economic, social and environmental should be considered by companies to be able to satisfy, both the interests of shareholders and other stakeholders. Aligning with this line of thought, Heuer (2017, p.1) has documented that "as global markets shift towards sustainable business practices, the adaption of integrating environmental, social and governance (ESG) and corporate social responsibility (CSR) are becoming common demands of investors and consumers." This has been evidenced by the increasing call and issuance of a framework on integrated reporting, which in some jurisdictions, for example, South Africa, has been mandated.

2.4 Sustainability as a tool for competitive advantage

Many studies have tried to establish a correlation between sustainability practices and corporate performance. From investors' perspective whatever strategies and business models/practices management adopts, they should target maximising returns to investors. However, some recent studies have documented a transmission line between sustainability practices, competitive advantage and profitability.

Heuer (2017, p.35) concluded that "sustainability practices and reporting is a modern competitive advantage as they confer some direct and indirect benefits such as improved reputation, increased employee and customer loyalty and better business ethos practices, the long-term effect of which influence business success and profit margins". This study however noted that integration of sustainability practices to business models is a long-term investment that requires initially moving away from the traditional emphasis on profit maximisation in order to establish and entrench the fulcrum on which sustainable development will thrive. In confirmation of this view, Eccles, Ioannou and Serafeim (2014) in an 18-year study of corporate sustainability reported a superior performance of *high sustainability* firms over *low sustainability* firms both in the stock and accounting measures, in the long term. Supporting these findings, Paun (2018, p.926) submitted that sustainability practices result in "improved customer brand and company loyalty; increased transparency, accountability and credibility, better access to more

attractive capital;… more ethical behavior within the company and throughout its value chain; and enhanced employee and supplier morale and productivity". These are attributes that guarantee sustainable competitive advantage for companies. Akintoye et al. (2020) in affirmation documented that sustainability accounting exerts statistically significant influence on competitive advantage and financial performance. On the contrary, Aziz et al. (2018) found that intensity of market competition does not drive green initiatives adoption in Malaysian public limited companies.

Kılıç et al. (2019) established a link between performance and sustainability reporting practices in the aviation industry. The results indicated that a firm's high ranking in the social progress index as well as high environmental performance rating are significantly associated with sustainability reporting practices. It however noted that governance quality has significant influence on both the presence and extent of sustainability practices and reporting. Nsikan et al. (2015) reported a significant positive relationship between CSR practices and competitive advantage in the telecommunication industry in Nigeria. In consonance with Adeyanju (2012), this study submitted that stakeholders are happy with and patronise companies that act responsibly and have set up operational policies that benefit the local community and the society at large. The society has implicit and explicit expectations from its corporate citizens and any companies that first satisfy these expectations become first movers and gain ascendancy in the market space where they operate.

A further confirmation of this position is the case study of House of Tara, a small business operating in the beauty and make-up industry that has transited from a door-to-door make-up firm to a market leader through its CSR activities (Motilewa and Worlu, 2015). The company whose initial CSR practices "focused on empowering women and raising young entrepreneurs in the beauty industry has grown from a make-up company to a women development brand" while maintaining a market leader position in the beauty and make-up industry in Nigeria and other West African countries. Heuer (2017) has noted that sustainability practices and their reporting promote transparency that builds trust and confidence among various stakeholders including consumers and investors. This position is equally affirmed by the 2009 report of business for social responsibility (cited in CIMA 2010) which indicated that global investors now incorporate ESG criteria into investment analysis with a view to making informed investment decisions. It is acknowledged that ESG practices drive financial returns. Following this belief, many large firms strive to achieve competitive advantage through marketing sustainability practices and their reporting as alternatives to traditional advertising. Thus, sustainability reporting has become a recognised business practice to remain competitive as well as a modern marketing alternative to increase an entity's brand value. Companies, according to Ernst and Young (2014) are striving to preserve public image to maintain competitive advantage. They approach the achievement of this objective by aligning their purpose with the concerns of stakeholders in the areas of ESG issues. Through the reporting of their practices they provide high levels of transparency that builds stronger relationship between shareholders and other stakeholders.

The study of Ekwueme et al. (2013) found a strong and positive association between sustainability practices and their reporting and corporate performance. In their words, "both consumers and investors were inclined to product purchase of green corporations. This would have the dual effect of increased market share and market capitalization of the companies" (p.1). There is thus increasing evidence that sustainability practices and reporting enhance transparency and accountability levels that inspire confidence on

stakeholders including employees who would want to be associated with companies that safeguard their interests and provide healthy work environment.

Orazalin and Mahmmod (2018) submitted that companies through reporting their sustainability practices signal their superior position in terms of economic, environmental, and social activities and create a positive impression among their stakeholders. It is a means of working on the minds of stakeholders in a bid to increase their market share and position themselves in the competitive arena. Leaders in sustainability practices and reporting achieve competitive advantage as there are indications that increasing number of large companies are getting concerned about their suppliers' sustainability performance given the impact it may have on their own supply chain. Ong et al. (2019) affirmed this assertion as the result of the study revealed that environmental innovation and environmental performance enable environmentally proactive manufacturing companies to create economic values that confer competitive advantage and enhance financial performance.

The demand by investors, suppliers, analysts and other stakeholders for companies to publish their ESG activities has grown and continues to grow very high that G & A Institute's 2019 survey report revealed that as at 2018, only about 14% of the S&P 500 companies are laggers in this regard. In the words of Louis Coppola, G & A's EVP and Co-founder, "investors are expecting and demanding greater corporate ESG disclosure today. This trend has been on a steady trajectory upward…". He maintained that the group of non-reporters is shrinking. As he put it, "interestingly, when searching for a non-reporter's sustainability report, often the first search results are copies of proxy resolutions from investors asking the company to improve ESG disclosure… Non-reporters are falling further behind their competitors every year that they fail to report" (G & A, 2019).

Figure 1 S&P 500 companies sustainability reporting (see online version for colours)

Source: Governance & Accountability Institute, Inc. (2019)

Figure 1 reveals the rising trend in ESG practices and reporting among S&P 500 companies as published by Governance & Accountability Institute. The figure highlights a signalling trend and pattern of competition among companies as well as the use of sustainability practices and reporting as a selling point for these entities.

3 Methodology

This is a qualitative study and adopted a desk review and analytical research approaches. Extensive and in-depth reviews of available literature on the areas of sustainability practices and competitive advantage in both the developed and emerging economies including Nigeria, were undertaken. The NSE sustainability disclosure guideline was also consulted. This guideline is just at its implementation stage having been approved by the Securities and Exchange Commission in November 2018. As such this study could not get rating of sustainability performance of companies in Nigeria or report of their market positioning as a result of their sustainability practices, from this source. The study however, noted from this source (the NSE guideline) and other sources, for example the G & A Institute reports and the KPMG (2017) survey report, documented evidences of companies that have demonstrated a competitive edge over rivals as a result of their sustainability practices in the developed economies. The study did a detailed discussion of these evidences in relation to the state of sustainability practices among listed manufacturing companies in Nigeria.

From the reviews and analysis, the study drew conclusion, highlighted the managerial implications and made recommendations for policy formulation and implementation with regard to the benefits manufacturing companies could harness if they integrate sustainability practices to their business models and strategies.

4 Discussions and evidences

Sustainable competitive advantage in the current changing global environment cannot be actualised by an entity’s existing product(s) or service(s) offering alone but need to include the whole gamut of activities and practices that are intended to meet the implicit and explicit expectations of stakeholders. In the opinion of Nidumolu et al. (2009), the business environment and the nature of competition has changed as a result of stakeholders’ clamour for sustainability. Adedeji et al. (2020, p.407) in affirmation reported that “sustainability initiative matters (social, environmental and economic) are generally gaining attention from business and non-business entities, especially with the move by stakeholders to derive more benefits for their investments and participations in the affairs of the firms”. Companies that recognise this paradigm shift, gain knowledge of the changing environment, set sustainability practices as their goal and incorporate it in their strategy and business models, will enjoy the benefits of first movers.

Practices that are mandatory confer less competitive advantage than when they are voluntary. As in the developed economies, many sustainability reporting guidelines that support voluntary sustainability reporting are coming up in the emerging economies. Entities that follow these guidelines to improve their sustainability performance will likely position themselves in the market. Globally, sustainability reporting is gradually being made mandatory. The effort of the International Integrated Reporting Council

(IIRC) to encourage the integration of sustainability and financial reporting is a good indication of the increasing quest for a balanced and comprehensive reporting of entity performance by stakeholders. In jurisdictions where the presentation and filing of integrated reports have been made mandatory, for example, South Africa, Spain and Japan, it has created a level playing ground for all competitors. Only entities that are innovative in their ESG performance and reporting will have a competitive advantage. Such companies will see sustainability as a catalyst for further innovation and change – change towards improved management system and processes as well as in stakeholder engagement that will create value in terms of recognition, reputation and trust. To confer competitive advantage within this scenario, the change in processes will transform the way such entities deal and economise with resources, including the natural capital and the way they do business for continuing success and benefit of present and future generations.

Sustainability concerns and demand of stakeholders are that companies be responsible for economic, social and green dimensions of their activities which have become an integral part of the business environment and an imperative for every operating entity. From this perspective Nkemkiafu et al. (2019, p.50) have posited that "organisations are increasingly seeing the need to integrate society's expectations into their business strategies, not only to respond to pressure from consumers, employees and other stakeholders but also to explore opportunities for creating competitive advantage". As NSE (2018, p.8) put it "the choice for companies today is not if, but how, they should manage their sustainability activities. Companies can choose to see this agenda as a necessary evil – a matter of compliance or a risk to be managed while they get on with the business of business – or they can think of it as a novel way to open up new business opportunities while creating value for society". It is becoming increasingly clear that healthy financial position is not the sole determinant of long-term success of entities but that good social, green and governance performance is equally essential. In support of this assertion, some studies, for example, Umoren et al. (2016) have documented that ESG enhances accountability and transparency, builds trust, improves internal management and decision-making processes, reduces compliance costs and confers competitive advantage.

Evidences from literature also indicate that sustainability practices confer legitimacy to entities as responsible corporate citizens and build positive corporate reputation that ultimately yield competitive advantage. When stakeholders' implicit and explicit claims and expectations are met, increased entity reputation is achieved which most likely improves market position and performance (Chebet and Muturi, 2018). The implication of this is that for sustainability practices to drive competitive advantage, they need to cease from being add-ons to being an integral part of business processes and strategy; from being seen as philanthropy to being practices that are closely aligned with corporate values and ethics. This calls for the adoption of circular business model, described by scholars (for example, Parida and Wincent, 2019; Mostaghel et al., 2017; Oghazi and Mostaghel, 2018) as being capable of moving businesses toward decreases in waste, shifting from unrenewable to renewable energy, refurbishing as well as the reuse, recycling, retention of materials and improvement in maintenance commitments.

NSE (2018, pp.7–8) had documented evidences of entities whose sustainability practices have positively impacted their market position, performance and competitive advantage. Few examples are the Natural Marketing Institute (NMI) whose consumer research revealed "that knowing a company is mindful of its impact on the environment

and society makes consumers 58% more likely to buy their products or services". This is a confirmation that sustainability practices build brands and corporate reputation by improving both stakeholders and employees' perceptions of the company and increase competitive advantage. Walmart "set goals of becoming totally supplied by renewable energy, having zero waste and selling products that sustain people and the environment back in 2005". By 2012 fiscal year, through efficient waste management and recycling, Walmart had "saved about US$231 million" and "an estimated US$150 million were saved over 2013 through renewable energy projects and a zero waste programme". Again, this is an affirmation that sustainability practices result in efficiency in operations, 'better use and conservation of resources' that culminate in reduced costs to the entity.

NSE (2018) quoted Goldman Sachs' survey as documenting evidences that companies which are leaders in environmental, social and governance policies, on the average, have outperformed the general stock market by 25% and that strong sustainability initiatives by companies are likely to increase revenues of such entities. In addition, it is found that as part of the evaluation criteria, financial and investment analysts now consider entities' sustainability plans in energy efficiency and reduction of environmental impacts. This implies that intentional adoption of sustainability practices leads to improved investment opportunities for entities.

There are further confirmations that many companies which create value through sustainability practices achieve improved growth and returns on capital following reductions in operating costs resulting from improved natural-resource management. A case in point is Dow Chemical, that reported investing less than US$2 billion since 1994 in improving its resource efficiency but had saved more than US$9.8 billion from reduced energy consumption and water waste in its manufacturing processes by 2011. Dow (2017, p.2) sustainability report indicated that the company "generated $120 million in cost savings or new cash flow from projects that are good for business and better for ecosystems. With $40 million in value generated in 2016, Dow has achieved a total of $160 million toward its goal of creating $1 billion by 2025 for the Company by valuing nature in business decisions".

Some of the leading conglomerates and groups today started small with community and social concerns (philanthropy) imbedded as part of their corporate values and ethics. The known names of Tata group in India, Johnson & Johnson and Unilever belong to this category. For example, the Tata group, established in 1868 as a trading company in Bombay, by J.N. Tata advanced the course of industrialisation in India by pioneering into businesses in sectors such as steel, energy, textiles, Aerospace and defence, hospitality, telecom and media, Infrastructure etc. As a philanthropist, he set up the JN Tata Endowment that encouraged Indian scholars to take up higher education, the first of a number of philanthropic initiatives by the Tata Group. Today about 66% of the group is owned by trusts that promote sustainability practices. As at 2018–2019 fiscal year, the group recorded turnover of about $113bn and had a market capitalisation of $160bn and is visible in major international markets. According to CIMA (2010, p.8), "the multitude of social development and environment initiatives Tata has nurtured from its earliest days flows from a wellspring of voluntary, as opposed to obligatory, commitment. Today it is looked to as setting the pace in regard to sustainability initiatives in India and beyond".

The KPMG (2017) survey report on corporate responsibility (CR) reporting indicated a rising trend in global acceptance and adoption of sustainability practices and reporting. The report showed that CR reporting is increasingly a standard practice for large and mid-cap companies around the world as 4,900, about 75% of companies surveyed, issue

CR reports. Every industry sector surveyed recorded a minimum of 60% reporting rate while most of the biggest companies globally now integrate financial and non-financial data in their annual reports. As this report indicated, integrated reporting has taken off in Japan, Brazil, Mexico and Spain, including South Africa in the emerging markets. The implication of this trend is that sustainability practices and reporting confer some legitimacy and benefits to companies and all companies in the emerging economies, Nigeria inclusive, has urgent need to key into this trend. Sustainability practices and reporting can no longer be viewed narrowly in terms of risk mitigation or brand enhancement but should be seen as "providing opportunities for innovation as well as enhancing consumer, investor and wider public relationships which, in turn, contribute directly to the overall sustainability of the business" [CIMA, (2010), p.6].

5 Conclusions and policy implications

This study has established that sustainability practices and reporting is today a global agenda. It is thus, no longer a concern for the big entities and multinational companies, but for all organisations that strive to gain a market position in their fields of operation. This means that sustainability practices in any organisation that purposes to gain leadership in its market should be seen as a business imperative and part of core strategy, and not merely an add-on. Sustainability practices are widely recognised as creating competitive advantage. Emerging markets economies are increasingly getting involved with the agenda and, in some cases, (for example, South Africa) leading.

Sustainability practices and reporting have transited from philanthropy to an integral part of business model and strategy. This demands that sustainability risks and opportunities need be addressed first before strategy is determined. This implies that management have to be clear about how sustainability practices fit in with the entity's core business, other activities and objectives, including the implications for operations and core activities. The challenge therefore lies in "creating and embedding the management systems that inform and support the improvement of resource use, enhance external engagement and positioning (profile and brand) and enable assessment of long-term value" [CIMA, (2010), p.6].

Companies are buffeted by increasing influence of global regulations, standards and voluntary initiatives in favour of sustainability practices. In all these, corporate culture and leadership are key in integrating sustainability practices into a company's operations. This calls for the need to develop appropriate management skills and leadership that can embed sustainability practices into business models, strategy and operations.

5.1 Contributions to knowledge and policy implications for listed manufacturing companies in Nigeria

This study has established that manufacturing companies in Nigeria could gain competitive advantage if sustainability practices are integrated in their strategy and business model and not merely an add-on. The outcome of this study therefore supports the positioning and resource-based theories as it requires manufacturing companies to build and enhance managerial capabilities/skills that could strategically differentiate their

sustainability practices to be able to position their companies in the market space and not just to gain legitimacy. Also leveraging on legitimacy and signalling theories, detailed and in-depth information about the companies' environmental, economic, social and governance can improve reputation and brand value.

The managerial and policy implications of the above are the following imperatives:

- There is an urgent need for manufacturing companies in Nigeria to build a focused leadership that is able to properly assess the risks and opportunities associated with integrating sustainability practices to the entity's operations. This has to be done before deciding on strategy. A good analysis of the political, social, environmental expectations as well as the technological changes that may be required if sustainability practices are embedded into strategy and operations, may be necessary. It is also important to analyse the impact of legislation and regulatory frameworks that will drive the entity's operations, post integration.
- When deciding on approach, there is need to benchmark against global best practices by similar organisations. This will assist the senior management to gain more knowledge, build capacity and better strengthen the entity's position for competition in its market.
- Stakeholders' engagement is essential – there is need for collaboration and synergy between management, employees, civil society and related bodies that have issued frameworks on sustainability practices (local and global), in order to achieve seamless integration of sustainability matters into organisations' activities in such a way that will confer competitive advantage.
- Accountants and other functional unit heads/managers provide sustainability related information needed to support strategy and decision making. They therefore should be familiar with local and global legislations and regulations relating to sustainability matters. It is important also that they improve their skills set and have updated knowledge that will help in, not only reporting but in devising and implementation of processes for integrating sustainability practices into their entity's core business and strategy.

5.2 Limitations and further research

This study is qualitative and has not established the current level of sustainability practices among listed manufacturing companies in Nigeria. The Nigerian Stock Exchange sustainability reporting principles/Guidelines are fairly new (about 2 years), and there is yet to be a coordinated approach to sustainability reporting requirements for listed firms. This made it difficult to obtain the SPR performance ratings of the sample companies. An empirical study on the current state of sustainability practices and their application as a tool for competitive advantage among listed manufacturing companies in Nigeria is recommended.

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