# THE IMPACT OF STAKEHOLDER ENGAGEMENT STRATEGIES ON CORPORATE SOCIAL RESPONSIBILITY

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**Abstract** - The paper investigates the impact of stakeholder engagement strategies on Corporate Social Responsibility. Social innovation, community impact, and financial performance are some of the ley dimensions of CSR that have been used in explaining the relationship. It was discovered that there exists a strong correlation of stakeholder engagement strategies towards social innovation, financial performance, and community impact. Discussion and conclusion are the last section in the paper, which concludes that the results meet the research objectives.

**Keywords**: Corporate social responsibility, Social innovation, community impact, financial performance, Stakeholder engagement strategies

## I. INTRODUCTION

The Corporate Social Responsibility has evolved in todays' business landscape and has become one of the strategies used by stakeholders. As such, recognizing the interconnectedness between the business activities with the social environmental concerns shows the philanthropic nature of organizations through CSR activities, which ensures they are aligned to the ethical, sustainable, and socially responsible principles. The success of CSR Initiatives is dependent on stakeholder engagement strategies, which include employees, customers, communities, and the investors. Some of the stakeholder engagement strategies include collaboration, general meetings, frequent communication, and meeting their expectations.

The study delves into the intricate relationship between stakeholder engagement strategies and its impact on CSR. Effective stakeholder strategies serve as a bridge in connecting organization with the stakeholders, which fosters collaboration and shared commitment to the social and environmental goals.

Some of the research objectives to be discussed include:

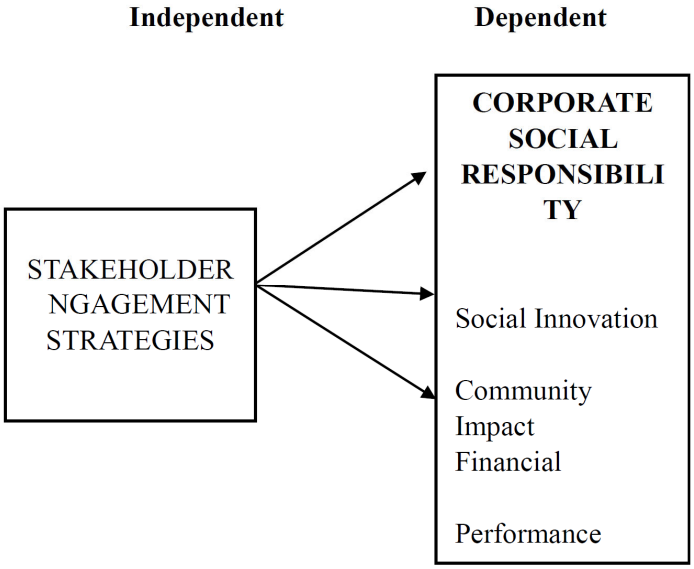
a) To determine if Stakeholder Engagement Strategies have an effect on Corporate Social Responsibilities.
b) To determine the effect stakeholder engagement have on social innovation in the business environment.
c) To determine the effect of stakeholder engagement strategies on the financial performance of organizations.

Dionisio and de Vargas (2020) stated that CSR activities is one way of enhancing social innovation of both companies and community through stakeholder engagement of different parties involved. The study explained that CSR enhances resource allocation, collaboration, partnerships, and technology advancements in the environment, ensuring that individuals and people are at a better position of innovating products and services that help in the betterment on the community. These opportunities were only provided through extensive resources and infrastructure.

Awaysheh et al. (2020) also stated that financial performance was one of the key reasons why key stakeholders in the organizations often agreed to undertake CSR activities. An increase in the financial performance of organization was always recorded as a result of CSR activities. Awaysheh et al. (2020) pointed out that Corporate Social Responsibility enhanced brand reputation and public image of companies through their philanthropic behaviors, making customers to feel indebted to the company. As a result, more companies felt obligated to buy goods and services from the organization, which increased sales and eventual profits and revenue. Therefore, some strategies proposed by stakeholders engaged in the business operations of the organizations only aimed at profit maximization, which is the main reason for operating a business in the environment.

However, despite the organizations only aiming for profit maximization, it is also imperative that organization also look after the wellbeing of the community forming part of the business environment. Masum et al. (2020) highlighted that organizations also feel obligated to bring back to the community, which is undertaken through CSR activities. Community development is one of the key takeaways that CSR enhances through organizations. However, the approval of various stakeholders in the company must be obtained, especially the investors and shareholders, having the main goal of a prolonged increased in profit maximization and sales.

Therefore, CSR activities are determined by the stakeholders, which can either benefit or be third-parties. Stakeholder engagement is important in cases where CSR initiatives want to be undertaken since it might bring negative unforeseen outcomes to stakeholders that were not involved during decision-making process. On the other hand, foregoing the CSR activities might restrict or constrain development and progress both in the community and the organization simultaneously, making it imperative for all stakeholders to be involved in developing strategies concerning CSR activities in the business environment. The below figure shows the conceptual framework:




## II. METHODOLOGY

Using the right methodology is crucial to enhance reliability and validity of both data and results obtained. Due to this, random sampling will be used in collection of the data, which will be done through questionnaires. Likert Scale will be used in the questionnaires to quantify the questions asked to the respondents. Quantitative analysis will be undertaken using SPSS Software to determine the relationship existing between stakeholder engagement and CSR in the business environment. Correlation and multiple regression analysis will be conducted based on the data obtained and interpretation made. Ethical considerations observed include anonymity, informed consent, confidentiality, and privacy.

### Analysis and Results

The below table show the results obtained from the respondents who participated in the studies.

**a. Correlation**

| Correlations | | | | | |
|---|---|---|---|---|---|
| | | Stakeholder_Engagement_Initiative | Social_Innovation | Community_Impact | Financial_Performance |
| Stakeholder_Engagement_Initiative | Pearson Correlation | 1 | .754 | .474* | .680 |
| | Sig. (2-tailed) | | .008 | .035 | .003 |
| | N | 20 | 20 | 20 | 20 |
| Social_Innovation | Pearson Correlation | .754 | 1 | .000 | .179 |
| | Sig. (2-tailed) | .008 | | 1.000 | .451 |
| | N | 20 | 20 | 20 | 20 |
| Community_Impact | Pearson | .474* | .000 | 1 | .216 |

| | | | | | |
|---|---|---|---|---|---|
| | Correlation | | | | |
| | Sig. (2-tailed) | .035 | 1.000 | | .361 |
| | N | 20 | 20 | 20 | 20 |
| Financial_Performance | Pearson Correlation | .680 | .179 | .216 | 1 |
| | Sig. (2-tailed) | .003 | .451 | .361 | |
| | N | 20 | 20 | 20 | 20 |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | |

Stakeholder Engagement is the independent variable while social innovation, community impact, and financial performance are variables forming up the dependent variable (Corporate Social Responsibility). The correlation figures .754, .474, and .680 show positive strong connection between stakeholder engagement initiative and CSR. Further, the significant mean are .008, .035, and .003 showing significant mean of social innovation, community impact, and financial performance. This implies a statistical significance between the variables and independent variable.

| Correlations | | | |
|---|---|---|---|
| | | Stakeholder_Engagement_Initiative | CSR1 |
| Stakeholder_Engagement_Initiative | Pearson Correlation | 1 | .686 |
| | Sig. (2-tailed) | | .008 |
| | N | 20 | 20 |
| CSR1 | Pearson Correlation | .686 | 1 |
| | Sig. (2-tailed) | .008 | |
| | N | 20 | 20 |

The table below shows correlation analysis between Stakeholder Engagement Initiative and CSR, where there is a strong positive correlation of .686 with a significant mean of .008. As such, the correlation is statistically significant and the undertaking of CSR activities are positively influenced by stakeholder engagement initiatives.

**b. Regression**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4.421 | .539 | | 8.208 | .000 |
| | Stakeholder Engagement Initiative | .372 | .127 | .686 | -.292 | .028 |
| a. Dependent Variable: CSR1 | | | | | | |

The independent variable (Stakeholder Engagement Initiative have a Beta value of .372 towards Corporate Social Responsibility. This means that a unit increase in stakeholder engagement initiative will lead to a .372 increase in Corporate Social Responsibility activities. The p-value is .028, which is lower than the significant level of .05, showing that stakeholder engagement initiative is a significant predictor of Corporate Social Responsibility. Further, the Beta value and correlation values are all positive, showing that Stakeholder Engagement Initiative have a positive impact on Corporate Social Responsibility.

## III. DISCUSSION AND CONCLUSION

The degree of impact that stakeholder engagement strategies have on Corporate Social Responsibility

(CSR) is utterly positive, acting as a hinge connecting CSR to real action with a sustainable impact. Stakeholder engagement, in its functional form, engages a dynamic working relationship between key stakeholders and businesses such as employees, customers, communities, and investors (Torelli et al. 2020).Stakeholder engagement is a primary factor that ensures that CSR initiatives developed are also in line with what various critical stakeholders in a firm want, are looking for, and care about. The alignment not only strengthens the relevance and accuracy of CSR initiatives but also creates a feeling of common purpose and common responsibility.The second point is that stakeholders involved in the CSR process play an active role and offer the unique outlooks, unconventional ideas, and insightful critiques. This five-dimensional partnership allows firms to recognize complex social and environmental challenges, jointly develop solutions, and adjust their CSR plans to changing requirements.

Stakeholder engagement that is positive boosts the credibility, which are an important part of the ingredients of CSR. Stakeholders become more engaged in CSR initiatives, as they realize that their voices are being heard and that they matter, when they feel that they are listened to, heard, and their interests are considered (Zaid et al. 2020). This in turn fortifies the social license to operate, slashes the reputational costs, and improves the overall efficiency of corporate social responsibility interventions. The first category, stakeholder engagement strategies, in essence, act as a catalyst, multiplying the positive CSR effect through enhancing it into a collective affair that crosses the boundaries of organizational identities.

Therefore, stakeholder engagement strategies are helpful in positively impacting social innovation, community development, and long-term financial performance of the organization undertaking the CSR activities.

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