

# RELATIONSHIP BETWEEN STAKEHOLDER COMMUNICATION AND CORPORATE SOCIAL RESPONSIBILITY; A REVIEW OF LITERATURES

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**Abstract:** Corporate social responsibility has been a subject matter that has attracted a lot of attention in the academic and corporate world. This is so because of its relevance at ensuring that corporate bodies give back a fair share to the society they operate and gain from. It is viewed as a means by which organizations can build their reputation in the society. It is also the process of incorporating social and environmental policies into a business's operations and financial goals. It is predicated on the idea that businesses may mitigate the adverse impacts they have on the environment and society. To ensure that corporate social responsibility of firms is effective there is a need for a robust and effective stakeholder communication strategy. As it ensures that corporate bodies create and sustain a transparent and open conversations with a range of stakeholders to support moral and socially conscious solutions for a variety of problems. This study is an attempt to assess the relationship between stakeholder communication and corporate social responsibility. The study is anchored on stakeholder theory and social identity theory. The study adopted a systematic literature review methodology. From the review of various literatures, the outcome indicated that stakeholder communication has a strong relationship with corporate social responsibility. It is also recommended that corporate bodies ensure that communication is well managed with stakeholders by establishing and sustaining a clear communication channel which will help to ensure that corporate social responsibility initiatives are both effective and beneficial to the stakeholders and also the firms' reputation.

**Keywords:** Stakeholder Communication; Cooperate Social Responsibility; Social identity theory and stakeholder theory.

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## 1. BACKGROUND

The subject matter of corporate social responsibility, or CSR, has gained significant traction in both academic and organizational circles due to its ability to improve a company's reputation and overall success. The concept of corporate social responsibility (CSR) has been further strengthened by the social and environmental crises that many organizations have faced recently. This is because stakeholders are now more concerned with how organizations affect society on both a social and environmental level (Ajayi & Mmutle, 2021). Corporate social responsibility, or CSR, highlights the critical role that corporate communication plays in creating and sustaining transparent and open conversations with a range of stakeholders to support moral and socially conscious solutions for a variety of problems (Lim & Greenwood, 2017). A company's voluntary efforts to conduct business in a way that is sustainable for the economy and social environment are referred to as corporate social responsibility, or CSR. It also consists of a few environmental and humility-related public service projects. Furthermore, corporate social responsibility (CSR) is described by Ahmad, Ahmad, Islam and Kaleem

(2020) as the degree to which companies meet the demands made on them by their stakeholders in relation to questions of discretion, law, ethics, and the economy. CSR, in the words of Brian (2022), is the process of incorporating social and environmental policies into a business's operations and financial goals. It is predicated on the idea that businesses may mitigate the adverse impacts they have on the environment and society. Nevertheless, corporate social responsibility (CSR) is commonly associated with an organization's pledge to improve social welfare and the steps it takes to maintain that pledge.

Organizations use both fundamental and auxiliary communications to enlighten their stakeholders. In contrast to secondary communications, which are the formal, structured contacts that are a part of publicity, marketing, advertising, and branding, primary communications, according to Balmer (2017), involve latent encounters that inform company operations, behaviors, and strategic initiatives. The identity of an organization and how the recipient of the interaction perceives it depend heavily on both types of interaction. When arguing for the reasons businesses should participate in CSR According to Govender and Smit (2022), businesses are socially integrated institutions whose general well-being is entwined with the economic, social, and ecological circumstances of the environment in which they operate as well as concurrently related with that of their stakeholders. Therefore, corporate social responsibility means that businesses should consider their stakeholders' well-being and their relationship with them while making choices and doing actions. Social (2019) asserts that dialogue is essential and differentiating between levels of involvement in the fluxes of interaction between the organization and stakeholders is one method of defining engagement. that according to this viewpoint, contact between a corporation and the public can be described as one-way, with passive publics merely receiving information and communication from businesses without having to respond. Information provided by stakeholders, which is commonly referred to as "consultation," may also be important to this connection. In this view, two-way symmetrical communication flows that actively involve every participant represent the maximum degree that may be attained. Hence effective communication has implication with regards to the organizations' approach to corporate social responsibility.

Since all organizational operations can only be disclosed to stakeholders through communication, stakeholder communication has become even more important as corporate social responsibility (CSR) gains prominence on the agenda. Corporate reputation is greatly impacted by stakeholders' evaluation of the organization's social responsibility; CSR has the ability to positively impact stakeholders' perceptions and contribute to maximizing earning potential (Ajayi & Mmutle, 2021). An organization gains from effective stakeholder communication in a number of ways. Stakeholder communication can be utilized to affect stakeholders' favorable opinions of the company, as when customers talk well about the company's participation in CSR initiatives (Crane and Glozer, 2016). Additionally, communication makes stakeholders aware of common social concerns, which makes it easier for them to identify with the business. As a result, when stakeholders identify with the organization, they become more devoted to it and engage in additional brand-supporting behaviors like positive word-of-mouth and referrals(Ajayi & Mmutle, 2021). However, communicating with stakeholders can also arouse their skepticism, which is why there is disagreement over how much an organization should disclose about its corporate social responsibility. The public views explicit CSR communication negatively and is quick to criticize CSR initiatives because it believes that the company is pursuing its own interests rather than genuinely caring for the community. Corporate Social Responsibility, or CSR, is now a crucial component of business communications. Participating in social initiatives helps businesses engage with stakeholders, project their values, and stabilize their positive brand (Szyndlar & Wąsikiewicz-Firlej, 2019). Hence this underpins the relevance of this study which will study the how stakeholder communication relates with corporate social responsibility.

## **2. LITERATURE REVIEW**

### **Stakeholder Theory**

Stakeholder theory pioneer Freeman (1984, 2007) thought that the dominant paradigm up to that point was incompatible with basic principles, thus he built a new tactical framework based on the obligation principle. According to Freeman's thesis, an organization is a web of interconnected ties where different stakeholders' goals and aspirations may be threatened in different ways. Maintaining the equilibrium of the ensemble depends on making sure these stakeholders are satisfied (Freeman, 1984). Stakeholder theory, according to Gilbert and Rasche (2008), clarifies how businesses actually take stakeholder interests into account. The concept clarifies who is affected by an organization's activities and how those effects relate to the company's business objectives. There is a lengthy history of stakeholder theory in many different domains.

The stakeholder theory argues that a project should be assessed in light of the justifiable concerns of all of its stakeholders and casts doubt on the validity of objections voiced by shareholders (Strand and Freeman, 2015). The idea holds that ethics

and projects are inextricably intertwined, and that project managers need to articulate the substantial value that ethics bring to bringing the program's major players together. When given what they require from a project, participants develop a sense of personal accountability and involvement (Tembo, 2003). A company's long-term viability depends on its relationships with its stakeholders; management must understand and involve not just customers, agents, and investors, but also all related communities. Decisions made by managers must so prioritize stakeholder connections.

The theory has been criticized by some scholars. For example, Ambler and Wilson (2006) observed that the stakeholder theory states that external interests should be decided upon exogenously, or without consideration for the opinions of the management or board of the company. It is unclear how this may be accomplished or how to accurately identify the breadth and depth of these groups. How are the mutual rights and obligations between the stakeholder group and the firm determined? According to Argenti (1993), organizations that attempt to serve all stakeholders or be all things to all people "are not only at a huge competitive disadvantage, they are literally unmanageable." Handy (1991) questions how it aids a chairman in making decisions and rejects the idea at the outset of his article. Diverse stakeholder groups won't have similar business goals. Certain people may wish for a company to expand, while others may prefer it to stay at its current size, be acquired, or fail. Management's adoption of multi-fiduciary policies may impede, or at least confuse, the goals of the organization.

In the framework of corporate social responsibility (CSR) and sustainability, the viewpoint of stakeholders is becoming increasingly significant. These days, a lot of firms recognize the need of addressing social and environmental issues and are incorporating these aspects into their plans and operations. Organizations can adopt strategies to mitigate negative consequences and provide win-win outcomes for all stakeholders by adopting a stakeholder perspective, which helps them better understand how their actions affect society and the environment (Elkington & Kolk 2021).

### **Social Identity Theory**

The Social Identity Theory, which was put forth by Henri Tajfel and John Turner in the 1970s, reports that people get some of their sense of who they are from belonging to particular social groupings. The theory aims to clarify the social dynamics and cognitive processes that underlie intergroup behaviors, particularly those that are associated with bias, discrimination, and prejudice. The theory delves into the concept of the 'ingroup' and 'outgroup', examining how identities are formed through a differentiation process characterized by the perceived validity and stability of status differences as well as the perceived flexibility to transition between groups. The goal of social identity theory is to define and forecast the conditions under which people think. It also takes into account how an individual's social and personal identities affect them (Tajfel & Turner, 2004).

Within-group prejudice has a motivating explanation provided by social identity theory. First, it is believed that assessments of oneself as a group member are linked to the results of social comparisons made between the relevant out-groups and the in-group. Secondly, it is presumed that individuals aspire to have a favorable and positive self-image (Abrams, Lalot & Hogg, 2021). Making sure that the in-group is positively distinguishable from the out-group helps one to have a favorable self-evaluation as a member of the group. Members of a group typically compete socially with members of other groups in an effort to make the in-group appear more favorable (Abrams, 2009). Based on the social identity theory, it is reasonable to assume that a group identity that most members of a sports team share will positively impact not only the team's performance but also other team-related aspects.

Social Identity Theory (SIT), which offers insights into how people's social identities affect their perceptions and behaviors in the context of CSR and stakeholder communication, is pertinent to the impact of stakeholder communication on Corporate Social Responsibility (CSR). According to SIT, people get some of their sense of who they are from belonging to particular social groups, and their attitudes and actions can be influenced by their group identities. SIT can assist in explaining how people's identification with a company's CSR initiatives and membership in stakeholder groups might affect how they see the company and react to CSR communication efforts in the context of CSR and stakeholder communication.

### **3. EMPIRICAL REVIEW**

Rajhans (2018) investigated the application of effective communication in managing stakeholder relationships and to identify a methodological framework for using communication as a useful tool in managing successful relationships with stakeholders at all levels for effective implementation of initiatives. A questionnaire survey and structured interviews with stakeholders employed by various project organizations are used in the study. We conducted semi-structured interviews with twenty-five industry executives with over a decade of experience. The four primary industries from which these

specialists were chosen were manufacturing, IT, construction, and power. Survey preparation and administration comprised the study's second phase. poll respondents included assistant project managers as well as project managers from the manufacturing, IT, electricity, and construction industries. The poll was carried out throughout India. Through the use of statistical analysis software, SPSS, the survey responses were examined. A significant number of those who participated to the industry professionals' survey and interviews expressed a unanimous opinion regarding the significance of stakeholder communication management for the project's accomplishment. According to the study, poor communication can have a detrimental impact on stakeholders' involvement in the project, which could lead to the project performing poorly.

Santoso, Raharjo, Apsari and Wibhawa (2019) looked at how stakeholder participation affects the implementation of a sustainable corporate social responsibility program. Descriptive evaluation with a method that is qualitative was employed in the study. Focus groups, literature reviews, and in-depth interviews were the methods utilized to collect data. The study demonstrated that determining the caliber of community actors and having productive conversations with them provide the basis for involving stakeholders in issues pertaining to the social, economic, and environmental spheres. Group cohesion and consistency in the CSR activities are supported by the communication style, awareness, and mindset. This study also showed that the degree of assistance given does not determine the significance of CSR; rather, what matters is how that aid helps the community go from a low level of social quality to one of self-actualization, which leads to sustainability and independence. Hence the need for effective communication with stakeholders before carrying out any CSR activity.

Kamil, Abdullah, Agustin and Bakti (2019) investigated the impact of multi-stakeholder communication on conservation area management and the efficacy of Indonesia's environmental policy in protecting wildlife reserves and conservation areas. Survey techniques with quantitative and qualitative descriptive approaches were employed in the research methodology, and the data came from primary and secondary sources. ways for gathering data that include surveys, documented observation, and interviews. The government, corporate sector, and general public comprised the study's population. Based on analysis Stakeholders are an important element in the management system of a conservation area hence effective communication with stakeholders has an impact on the management of reserve areas. The research also observed that, the management of the nature reserve involves numerous stakeholders and is a complicated ecosystem hence, collaboration is necessary for the management of conservation.

Khovrak (2019) examined how stakeholder dialogue affected the CSR strategy's implementation. In order to account for communication hurdles at every stage of the process—creation, encoding, transmission, receiving, decoding, and responding—the author created an algorithm. The CSR plan implementation's ubiquitous, within- and externally-oriented means of interaction were described. The CSR strategy implementation communication toolkit's roles were organized into the following categories: educational, interpretive, emotional, holistic, mobilizing, strategic, preventive, and informational. Three different CSR communication strategies—one-sided, two-way asymmetric, and two-way symmetric—were compared by the author. Since stakeholder communication has been shown to be a crucial component of corporate social responsibility, the author outlines the primary forms and the outcomes of their interactions. It makes sense to engage in productive communication with stakeholders in order to establish and implement corporate social responsibility plans.

Pizzi, Moggi, Caputo and Rosato (2021) examined the extent to which oil and gas businesses interact with stakeholders on Corporate Social Responsibility (CSR) initiatives through social media. The degree of stakeholder interaction on CSR's actions revealed by social media was highlighted by the research, which was based on an investigation of an oil and gas megaproject that threatened the local community's safety. The Trans Adriatic Pipeline experience and the level of communication between the business and its stakeholders were taken into account in the study. With the help of the statistical software "Twitter," the contents of Tweets were examined and categorized based on their content in accordance with Carroll's pyramid. The findings indicate that stakeholder claims made through social media communication are not always addressed, and that these claims should be routinely reviewed using appropriate stakeholder engagement mechanisms.

Jun and Kim (2021) explored the techniques and applicability of involving stakeholders in the pursuit of the Sustainable Development Goals (SDGs), using LG Electronics (LGE), a major South Korean company, as an example. Since LGE is one of the few South Korean businesses designated as a chaebol (a family-owned, family-managed conglomerate) or chaebol affiliate, data was gathered from LGE and examined. South Korean businesses are regularly included in international sustainability rankings and indices. The research discovered that stakeholder engagement which includes effective communication has an impact on achieving SDG goals by LG Electronics (LGE) in South Korean.

Yang and Basile (2021) examined the effects of external stakeholder participation in CSR projects. The authors established CSR communication productivity (CCP), a new metric for measuring the efficacy of CSR communication, using data

gathered and processed from social media accounts of the Top 100 Worldwide Brands. The findings imply that CCP and firm performance (Tobin's Q) increase when external stakeholders are included in an organization's CSR initiatives through prompt communication channels.

Ajayi and Mmutle (2021) examined the channels and communication tactics that credible organizations employ, as judged by stakeholders, to accomplish successful CSR communication. In order to do this, the textual CSR communication materials of ten respectable South African organizations were subjected to a qualitative content analysis utilizing the guided approach, which was based on the results of the 2018 South Africa Reptrak survey. The findings indicated that in their CSR communications, organizations employ both self-serving and society-serving motives. The study discovered that organizations primarily use regulated channels for CSR communication in terms of communication channels. According to the survey, organizations should investigate and customize CSR communication according to the distinct traits and inclinations of stakeholders.

Troise and Camilleri (2021) examined how the companies used digital avenues for communication. It concentrated on how they use social media for commercial and stakeholder communication, and how it affects product promotion and corporate social responsibility (CSR) operations. A selection of 167 Italian companies were the subject of an exploratory investigation. It looked into the businesses' websites and accounts on social media sites including Facebook, LinkedIn, and YouTube. According to the research, Italian companies use a variety of social media platforms for business communication. According to the descriptive study, they use YouTube, LinkedIn, Facebook, and other platforms to spread commercial information and advertise their company. Additionally, they are using Twitter and Instagram to tell stakeholders about their CSR projects.

Govender and Smit (2022) sought to determine, through linguistic analysis of texts used by stakeholders in communication, how organizational sensemaking during a crisis might affect a company's perspective toward social responsibility. In order to convert qualitative data to empirical data and make it analogous throughout the sample, data were gathered from the corporate social responsibility statements of ten financial services businesses both prior to and immediately following the COVID-19 pandemic. This analysis was done using the Linguistic Inquiry Word Count (LIWC) method. The result. In light of the investigation's outcomes, corporate decision-makers and communication specialists should intentionally and mindfully consider the intertwined processes of CSR sensemaking and stakeholder communication.

#### **4. METHODOLOGY**

A systematic review aims to gather and analyze all relevant empirical evidence to answer a specific research question. By using explicit, systematic methods, it minimizes bias and provides reliable findings that can inform decision-making (Antman, Lau, Kupelnick, Mosteller & Chalmers, 1992). This study relies on a literature review, specifically utilizing a systematic review methodology. As reported by Krnic, Pieper, Glatt and Puljak (2019) a systematic review's primary features include: a well-defined set of goals with predetermined eligibility requirements for the research; a precise, repeatable methodology; a methodical search that looks for every study that would fit the requirements for eligibility; an evaluation of the reliability of the included studies' conclusions. Notably in this study, diverse perspectives drawn from theoretical and empirical sources were examined concerning stakeholder communication and corporate social responsibility. This process yielded evidence of relationships, thereby informing conclusions and offering insights for policy recommendations.

#### **5. FINDINGS**

Based on the literatures reviewed it can be deduced that stakeholder communication and corporate social responsibility have a basic relationship that exist between these two. From the diverse viewpoints, and perspective of different scholars it is evident that among stakeholders there is a perpetual need for an effective communication channel to be established so as to ensure effectiveness of corporate social responsibility initiatives as poor communication management is detrimental effectiveness of corporate social responsibility initiatives. Notably, the effectiveness of stakeholder communication is instrumental in the integration of corporate social responsibility endeavors. Strengthening stakeholder communication can go a long way to help CSR activities to better reflect stakeholder expectations and values. Strong stakeholder communication strategies are actually related to better implementation and outcomes for corporate social responsibility initiatives.

## 6. CONCLUSION AND RECOMMENDATION

Following the review of literatures and research findings, it is evident that stakeholder communication is very relevant when it comes to achieving corporate social responsibility. Hence it is important that organizations establish a clear communication channel with stakeholders so as to achieve the aims and objectives which includes corporate social responsibility. The stakeholders as it is observed above are those parties that contribute to and are affected by whatever decisions and policies of a firm which means that for a firm to adequately perform whatever corporate social responsibility to the community, they must get the input of those that will be affected by it to get what is best for the stakeholders and how to go about meeting those needs. The communication with stakeholders need not be a one-time thing. It has to be continuous all through every stage in order to achieve its maximum objectives.

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