Pertanika Proceedings 1 (1): 79 - 82 (2025)

PERTANIKA JOURNALS

PERTANIKA PROCEEDINGS

Journal homepage: http://www.pertanika.upm.edu.my/

Stakeholder Engagement Practices among CSR Award-Winning Companies in Malaysia

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ABSTRACT

Stakeholder engagement is a widely used framework in corporate social responsibility (CSR), aiming to create value for businesses and their stakeholders. This practice helps foster relationships, enabling organisations to better understand stakeholders' real issues, needs, and expectations. The engagement process generates insights useful for organisations to adjust to their core business strategies, including CSR initiatives. In this context, the underlying motivation to engage with stakeholders is to bring about positive change to them and not merely for business gain. Nevertheless, the reason and how organisations engage with stakeholders have not been extensively researched. The objectives of this study are threefold: to examine the underlying motives of engaging with stakeholders, to delve into communication strategies employed to engage with stakeholders and to explore the extent of stakeholders' engagement practices disclosed in the CSR report. This qualitative study examines 17 CSR reports of CSR award-winning companies in Malaysia. This study found that business motive appears dominant: forming a strategic partnership with stakeholders is pertinent to business growth. Nevertheless, the specific benefits that stakeholders gain from this engagement have not been adequately reported.

Keywords: Communication strategies, CSR report, motive, mutual partnership, stakeholder engagement

INTRODUCTION

Stakeholders are individuals or groups who can affect or be affected by an organisation's activities, products or services. Literature affirmed that failure to meet a broader set of stakeholder demands will result in the withdrawal of stakeholder support from companies (Ghezal, 2024). Hence, meeting stakeholders' needs and expectations, which are not limited to shareholders, is crucial for business longevity. Stakeholder engagement

ARTICLE INFO

Article history:
Received: 9 January 2025
Published: 17 February 2025

DOI: https://doi.org/10.47836/pp.1.1.016

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helps foster relationships, enabling organisations to better understand stakeholders' real issues, needs, concerns and expectations. These insights are crucial for organisations to adjust their core business strategies, including CSR initiatives aligned with stakeholders' needs and expectations. This study argues that stakeholder engagement is a critical process in CSR, as it enables organisations to address stakeholders' actual needs rather than providing what the business assumes is best for them. In this context, organisations' motive to engage with stakeholders is essential as it impacts their CSR practices. The intention to make a positive change requires organisations to be willing to listen and subsequently incorporate stakeholders' needs and expectations into their core business practices. At the same time, a self-serving motive is likely to result in CSR that primarily benefits the organisation without contributing any significant value to stakeholders.

In recent years, there has been a growing demand to incorporate stakeholders' perspectives for businesses to remain sustainable. Jeffery (2009) asserted that an organisation cannot be serious about CSR unless it pays equivalent attention to stakeholder engagement. The Global Reporting Initiative (GRI) has explicitly required organisations to identify and engage with stakeholders. In Malaysia, stakeholder engagement gained prominence following the introduction of the Malaysia Code on Corporate Governance (MCCG) by the Securities Commission Malaysia in 2000, with subsequent updates in 2007, 2012, 2017 and 2021. In 2017, the MCCG introduced a new structure encompassing three key principles: integrity in corporate reporting and meaningful relationships with stakeholders. This principle accentuates the importance of ongoing, transparent, and effective stakeholder communication. It promotes active stakeholder engagement using suitable communication channels to elicit stakeholders' feedback on matters that affect them. Through this engagement, stakeholders are better informed about companies' business decisions, policies on governance, the environment and social responsibility that affect them (Securities Commission Malaysia, 2021).

Stakeholders' engagement is not an overnight effort but a continuous and iterative process characterised by constant dialogue, active listening, consultation and collaboration to achieve mutual interests. Nevertheless, the motive to engage with stakeholders and the mode of engagement adopted have not been extensively researched. The objectives of this study are threefold: to examine the underlying motives of engaging with stakeholders, to delve into communication strategies employed to engage with stakeholders and to explore the extent of stakeholders' engagement practices disclosed in the CSR report.

MATERIALS AND METHODS

This qualitative study examined the sustainability reports produced by organisations with exemplary commitment and performance in CSR in the country. These organisations were selected from the Sustainability and CSR Award Malaysia 2023, organised by CSR

Malaysia. A total of 17 sustainability reports were analysed, focusing specifically on the stakeholder engagement section. Thematic analysis was adopted to analyse the data.

RESULTS AND DISCUSSION

Most companies produce standalone documents rather than integrated annual reports to disclose their CSR initiatives, with 'Sustainability report' being the most commonly used title. The underlying motive of stakeholder engagement is predominantly for long-term business survival or business motive. In this context, stakeholders are considered significant business partners whose insights are crucial to developing and refining business strategy. Kujala et al. (2022) argue that stakeholder engagement in this context served as a means for organisational benefit and, hence, could be merely self-serving. Most companies reported that stakeholder engagement enhances their preparedness to navigate risks and opportunities in a volatile business setting. A less dominant motive of stakeholder engagement is responding to stakeholders' concerns or incorporating their perspectives into organisational decision-making. Nevertheless, only a few companies explicitly mentioned their willingness to listen and incorporate stakeholders' perspectives into business decision-making.

Regarding communication strategy, most organisations reported practising regular communication, using multiple media and non-media channels to strengthen stakeholder relationships. Two-way communication was a prominent strategy to engage with stakeholders (e.g., town hall, site visit, consultation, dialogue, community outreach). Drawing from Grunig and Hunt (1984) models, Morsing and Schultz (2006, in Stocker et al., 2020, p. 2073) proposed three ways for companies to engage with their stakeholders: the information strategy (one-way communication), the response strategy (two-way asymmetrical communication) and involvement strategy (two-way symmetrical communication). The latter strategy involves organisational change as a result of the engagement. At the same time, the response strategy will use the insights gained to develop a better strategy to influence stakeholders for organisational advantage.

This research also found that most companies disclosed the type of stakeholders they engaged with, the communication channels used and stakeholders' areas of interest. Nevertheless, little information was disclosed on how the engagement brings positive change to the stakeholders involved or to what extent organisations have responded to stakeholders' needs and concerns.

CONCLUSION

The practice of stakeholder engagement appears promising among CSR award-winning companies in the country. These organisations understand the importance of responding to and incorporating stakeholders' perspectives to stay relevant. However, this engagement should not be limited to achieving business strategic goals but to ensure a positive impact

on the affected stakeholders. Stakeholder engagement should not be viewed as a mere means for organisations to appear socially responsible; rather, it is an avenue for making a meaningful difference in the lives of others while fostering business growth. Being overly business-centric can lead organisations into the trap of self-serving CSR, ultimately failing to do justice to their stakeholders. This study proposes that organisations report on their impact on stakeholders and examine whether they perceive this impact as mutually beneficial to them.

ACKNOWLEDGEMENT

This research has received no external funding.

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