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**“The Role of Stakeholders in Corporate Governance: Investigating
Stakeholder Influence on Corporate Sustainability Actions ”**

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Abstract

Corporate governance has evolved beyond a shareholder-centric model to one that acknowledges the critical role of stakeholders in shaping business strategies, sustainability efforts, and ethical decision-making. This thesis explores the influence of stakeholders on corporate governance, particularly their impact on corporate sustainability actions. By examining theoretical frameworks such as Stakeholder Theory, Agency Theory, Institutional Theory, and Legitimacy Theory, the study provides a comprehensive understanding of how businesses balance profitability with ethical responsibility and long-term sustainability.

Using a secondary data-based approach, this research analyzes academic literature, industry case studies, and governance reports to uncover patterns of stakeholder influence. Case studies from industries such as technology (Google, Apple), finance (BlackRock, Vanguard), energy (ExxonMobil, Tesla), and mining (Paladin Energy) illustrate how diverse stakeholder groups including investors, regulators, NGOs, consumers, and local communities shape corporate policies and sustainability strategies. Additionally, governance mechanisms such as ESG reporting, sustainability disclosures, shareholder activism, and regulatory compliance are examined to assess how businesses integrate stakeholder expectations into their decision-making processes.

Findings suggest that stakeholder influence varies based on factors such as power, legitimacy, and urgency, as outlined in governance models like the Power-Interest Grid and Mitchell et al.'s Stakeholder Salience Model. While many companies are increasingly adopting sustainability-driven governance, challenges such as greenwashing, information asymmetry, and cultural differences in stakeholder expectations continue to hinder effective stakeholder engagement.

This study contributes to corporate governance literature by offering a multi-industry perspective on stakeholder influence, bridging the gap between theoretical insights and real-world governance practices. The findings provide valuable insights for business leaders, policymakers, and investors seeking to develop more transparent, inclusive, and sustainability-driven corporate governance models.

Chapter 1: Introduction

1. Introduction

1.1. Introduction to Corporate Governance and Stakeholder Theory

Corporate governance has undergone a significant transformation over the years, evolving from a shareholder-focused model to one that actively integrates the interests of multiple stakeholders. Stakeholder theory has played a crucial role in this shift, challenging the traditional notion that corporations exist solely to maximize shareholder wealth. Instead, it emphasizes the importance of considering employees, customers, communities, and investors in corporate decision-making to ensure ethical and balanced governance.

According to Manetti and Toccafondi (2012), stakeholder theory promotes ongoing engagement and participation, fostering a governance model where stakeholders have a meaningful influence on corporate strategies. This shift represents a departure from conventional profit-centric governance, incorporating broader societal and ethical concerns into corporate decision-making.

Over time, corporate governance has moved from a reactive stance focused on compliance to a proactive approach that integrates social, environmental, and ethical responsibilities. (Altuna et al., 2015) highlight how modern governance models strive to balance profitability with societal impact, reflecting a more mature approach to corporate responsibility. Today, businesses recognize that their success is interwoven with that of their stakeholders, reinforcing a participatory approach to strategic planning.

The growing significance of corporate governance in tackling global challenges has also been shaped by international sustainability frameworks. (Castelló et al., 2016) emphasize that sustainable development principles call for the integration of social, environmental, and economic dimensions into corporate strategies. These elements are now considered fundamental to governance systems that align corporate practices with stakeholder expectations.

Furthermore, stakeholder theory has expanded the role of corporate governance beyond mere regulatory compliance. It promotes ethical behavior, transparency, and long-term trust-building with stakeholders. Barcellos de Paula and Gil-Lafuente (2021) argue that stakeholder engagement is not just a compliance requirement but a driver of innovation and strategic alignment in sustainable value creation. This perspective highlights how modern governance systems are evolving to be more inclusive and aligned with the changing priorities of stakeholders.

By framing corporate governance through the lens of stakeholder theory, businesses are better equipped to navigate contemporary challenges, ensuring governance practices that are both sustainable and inclusive.

1.2. The Role of Stakeholders in Corporate Governance

In today's corporate landscape, stakeholders play a crucial role in shaping governance practices, ensuring that businesses operate transparently, ethically, and sustainably. Corporate governance is no longer just about maximizing shareholder returns; it has evolved into a broader framework that considers the interests of employees, investors, customers, and communities. By engaging with these diverse groups, companies can build trust, drive innovation, and create long-term value that benefits both business and society.

At its core, stakeholder engagement is about inclusion bringing different voices to the table, and ensuring that corporate decisions reflect the priorities of all relevant parties. As (Greenwood, 2007; Collinge, 2020) explains, stakeholder theory advocates for the integration of employees, customers, investors, and communities into corporate strategies, making businesses more accountable and socially responsible. When companies actively listen to and involve their stakeholders, they not only meet ethical expectations but also strengthen their governance structures.

Beyond being a compliance requirement, stakeholder engagement is a powerful driver of innovation and long-term growth. Barcellos de Paula & Gil-Lafuente (2021) argue that organizations that prioritize meaningful stakeholder interactions can develop forward-thinking strategies that address pressing challenges while fostering collaboration. By engaging with external perspectives, businesses gain valuable insights that help them stay ahead of market shifts and societal expectations.

Transparency is another major benefit of effective stakeholder engagement. (Manning et al., 2019) emphasize that sustainability reporting reduces information asymmetry, enhancing the legitimacy and reputation of businesses. When companies openly communicate their actions, commitments, and challenges, they build confidence among stakeholders, reinforcing their long-term credibility.

However, engaging stakeholders effectively is not without its challenges. A major issue is the exclusion of marginalized voices in corporate decision-making. As Goodman & Arenas (2015) highlight, many governance processes fail to include underrepresented groups, creating systemic gaps in stakeholder participation. To build truly inclusive governance frameworks, companies must actively seek out and incorporate diverse perspectives, ensuring that no group is left behind.

Another challenge is the inconsistency of engagement practices across different industries and regions. Boadi et al. (2019) note that companies often fail to meaningfully involve local communities, leading to mistrust and resistance toward corporate social responsibility (CSR) initiatives. To address this, organizations must tailor their engagement strategies to fit the unique needs of each stakeholder group, rather than adopting a one-size-fits-all approach.

Beyond internal governance, stakeholder engagement also influences a company's external relationships, including its financial standing. Ansong (2017) points out that strong stakeholder engagement strengthens the link between CSR efforts and financial performance, making it easier for businesses to secure funding and partnerships. This reinforces the idea that stakeholder engagement is not just about social responsibility it is also a key component of business success.

Stakeholder engagement is at the heart of modern corporate governance. By fostering inclusivity, transparency, and collaboration, businesses can build trust, enhance decision-making, and create long-term value for all involved. While challenges remain, companies that commit to meaningful stakeholder interactions will be better positioned to navigate complex governance landscapes, drive innovation, and contribute positively to society. In today's world, effective governance isn't just about making profits it's about making a difference.

1.3. Corporate Sustainability and Stakeholder Influence

Corporate sustainability has become a fundamental pillar of modern corporate governance, driven by stakeholder expectations and global sustainability challenges. At its core, sustainability integrates corporate social responsibility (CSR) principles with the Triple Bottom Line (TBL) framework, ensuring that businesses balance profitability with social and environmental responsibilities. This approach highlights the growing influence of stakeholders in shaping corporate policies and decision-making.

CSR has evolved into a strategic necessity rather than a mere philanthropic endeavor. As Font et al. (2016) emphasize, CSR is dynamic and shaped by environmental and social changes, external demands, and the maturity of organizations. This adaptability enables businesses to respond effectively to global challenges while fostering trust and legitimacy among stakeholders. The TBL framework further strengthens this approach by embedding sustainability into corporate strategy. Castelló et al. (2016) trace its origins to the Brundtland Report and the Rio Earth Summit, emphasizing the importance of integrating economic, social, and environmental considerations.

A key aspect of corporate sustainability is its role in strengthening stakeholder relationships. Santos et al. (2018) argue that CSR initiatives serve as tools for balancing business objectives with social and environmental concerns, thereby enhancing stakeholder trust and market legitimacy. By addressing these needs, organizations can build long-term competitive advantages while aligning their operations with sustainability goals. Additionally, transparency and accountability play a crucial role in reinforcing this alignment. Manning et al. (2019) highlight that sustainability reporting reduces information asymmetry, strengthening corporate legitimacy and reputation among stakeholders.

The rise of sustainability reporting has transformed corporate governance by embedding environmental, social, and governance (ESG) factors into decision-making. Xie et al. (2019) describe this shift as a transition toward stakeholder-oriented management, where ESG activities are integrated into corporate strategies to align with global sustainability goals. This evolution has been further reinforced by regulatory frameworks such as the EU Directive 2014/95/EU and GRI standards, ensuring standardized ESG disclosures (Yu et al., 2018). However, challenges remain. Yu et al. (2018) also point out that the lack of standardized ESG reporting complicates comparability and reliability, making it harder for stakeholders to assess corporate performance effectively.

Despite these challenges, sustainability initiatives have proven to be drivers of innovation and strategic growth. Aguilera-Caracuel and Guerrero-Villegas (2017) emphasize that CSR practices help multinational enterprises align their operations with global sustainability norms, especially in

diverse regional contexts where stakeholder demands vary significantly. Similarly, Barcellos de Paula and Gil-Lafuente (2021) argue that stakeholder engagement is not merely a compliance mechanism but a catalyst for innovation and strategic alignment, contributing to long-term sustainable value creation.

In conclusion, corporate sustainability is deeply intertwined with stakeholder influence. The integration of CSR, TBL, and ESG principles into governance frameworks underscores the shift from traditional profit-driven models to more holistic, stakeholder-centric approaches. By embracing sustainability reporting, transparency, and strategic CSR initiatives, businesses can enhance stakeholder trust, ensure long-term growth, and align their operations with evolving global sustainability expectations.

1.4. Challenges and Barriers to Stakeholder Engagement

Stakeholder engagement is a fundamental aspect of corporate governance, yet organizations face numerous challenges and barriers in ensuring meaningful participation. Despite its importance, engagement often remains superficial, misaligned with stakeholder expectations, or constrained by structural and resource limitations. These obstacles hinder transparency, trust, and the overall effectiveness of governance frameworks.

A significant issue in stakeholder governance is the limited involvement of stakeholders in corporate decision-making. As Manetti (2011) points out, empirical evidence suggests that stakeholder engagement often remains tokenistic, with companies failing to incorporate stakeholder feedback into governance processes in a meaningful way. This superficial approach weakens the potential for stakeholders to influence corporate strategies and sustainability initiatives.

Another persistent challenge is the misalignment between corporate priorities and stakeholder expectations, particularly in terms of inclusivity. Goodman and Arenas (2015) highlight that corporate decision-making frequently neglects marginalized voices, leading to systemic gaps in stakeholder inclusion. This exclusion undermines governance credibility and fosters distrust among key stakeholder groups.

Transparency and reporting inconsistencies further exacerbate stakeholder engagement difficulties. Font et al. (2016) argue that corporate social responsibility (CSR) reports often overstate immaterial issues while underrepresenting critical stakeholder concerns, causing misalignment between corporate actions and expectations. Similarly, Manning et al. (2019) note that the lack of standardized ESG reporting frameworks complicates efforts to assess corporate performance and sincerity in stakeholder engagement. These discrepancies reduce the credibility of sustainability initiatives and contribute to skepticism among investors, regulators, and the public.

The problem of "greenwashing" adds another layer of complexity to stakeholder governance. Vollero et al. (2016) emphasize that misleading sustainability claims erode trust and diminish the effectiveness of engagement efforts. When corporations exaggerate their CSR achievements,

stakeholders become wary of corporate commitments, reducing the potential for meaningful dialogue and collaboration.

Globalization introduces additional challenges by creating diverse and sometimes conflicting stakeholder expectations across regions. As Castelló et al. (2016) explain, the complexity of stakeholder engagement increases in a globalized context, particularly when addressing conflicting sustainable development agendas. Multinational corporations must navigate economic, cultural, and regulatory differences, making it difficult to establish standardized stakeholder engagement strategies.

Resource constraints further limit engagement efforts, especially for small and medium-sized enterprises (SMEs). According to Camilleri (2019), SMEs often struggle to balance financial and technological limitations with the need for impactful digital stakeholder engagement strategies. The absence of structured digital engagement frameworks leads to inconsistent communication and weakens stakeholder relationships. Additionally, technological barriers prevent organizations from fully leveraging digital tools for engagement. Camilleri (2019) also notes that many SMEs fail to utilize the full potential of digital media due to technological anxiety, lack of expertise, and limited resources.

Addressing these challenges requires a shift toward more inclusive, transparent, and structured stakeholder engagement models. Organizations must commit to eliminating tokenistic approaches, improving ESG reporting consistency, and prioritizing marginalized voices in governance. Additionally, businesses must invest in capacity building and technological infrastructure to enhance stakeholder participation.

In conclusion, while stakeholder engagement is crucial to corporate governance, it is hindered by various challenges, including superficial involvement, transparency issues, resource limitations, and global complexities. Overcoming these barriers requires a commitment to meaningful stakeholder inclusion, robust reporting mechanisms, and strategic investments in governance frameworks that align corporate actions with stakeholder expectations.

1.5. Cultural and Institutional Influence on Stakeholder Engagement

Cultural and institutional contexts play a crucial role in shaping corporate governance practices and stakeholder engagement strategies. These factors influence how organizations adopt and implement sustainability initiatives, Corporate Social Responsibility (CSR), and governance frameworks across different regions and industries. Understanding these influences is essential for fostering inclusive and effective stakeholder engagement.

Cultural values significantly impact corporate governance, particularly in how organizations interact with stakeholders and disclose sustainability practices. Cubilla-Montilla et al. (2019) highlight those cultural traits such as collectivism, femininity, uncertainty tolerance, and long-term orientation shape CSR practices in multinational corporations. In collectivist societies, companies often prioritize stakeholder engagement and community-oriented initiatives, whereas individualist cultures may focus more on shareholder interests.

Leadership styles, which are deeply rooted in cultural norms, also affect governance and engagement practices. Hofstede (2011) emphasizes that decision-making structures vary across cultures high power distance societies tend to have hierarchical governance models, while lower power distance cultures promote participatory decision-making. These differences influence how stakeholders are integrated into corporate governance frameworks.

Transparency and accountability in stakeholder engagement are also affected by cultural expectations. Despite global CSR frameworks like the Global Reporting Initiative (GRI), local cultural and normative pressures dictate the extent and quality of social information disclosure (Cubilla-Montilla et al., 2019). In cultures with strong traditions of discretion, organizations may be less transparent in their reporting, even when adhering to international standards.

Family-owned businesses further illustrate the cultural impact on corporate governance. Arena et al. (2020) note that in many regions, family-owned governance models tend to limit transparency due to cultural preferences for privacy and discretion. These governance structures underscore how local traditions shape corporate behavior and engagement strategies.

Beyond cultural influences, institutional frameworks significantly shape corporate sustainability practices and stakeholder engagement. Ortas et al. (2019) argue that national institutions including governance structures, financial markets, and social capital strongly influence corporate ESG performance. Regions with robust regulatory frameworks and well-developed financial systems tend to exhibit higher levels of ESG performance due to increased accountability and resource availability.

However, in emerging economies, weak governance structures pose challenges to sustainable corporate practices. Ansong (2017) highlights that institutional gaps often hinder the effective implementation of CSR initiatives, making it difficult to achieve social and economic goals. These challenges emphasize the need for governance models that account for regional constraints and opportunities.

Globalization further complicates stakeholder engagement by introducing tensions between international standards and local cultural norms. Castelló et al. (2016) note that the complexity of stakeholder engagement increases in globalized contexts, where corporations must address conflicting sustainability agendas. Organizations operating across different cultural and institutional environments must balance global best practices with locally relevant governance strategies.

Finally, aligning cultural and institutional insights with corporate governance enhances transparency, accountability, and stakeholder trust. Cubilla-Montilla et al. (2019) suggest that understanding the cultural drivers of CSR transparency can help bridge gaps in reporting and align corporate sustainability efforts with global goals. This alignment is critical for fostering trust and legitimacy, particularly in diverse and evolving markets.

Cultural and institutional contexts deeply influence corporate governance and stakeholder engagement strategies. While cultural values shape transparency, leadership styles, and stakeholder relationships, institutional frameworks determine the effectiveness of corporate

sustainability practices. Organizations must recognize and integrate these factors into their governance models to create inclusive, transparent, and context-sensitive engagement strategies. By doing so, businesses can foster stronger stakeholder relationships and ensure their sustainability efforts are locally relevant and globally aligned.

1.6. Sustainability, ESG, and Governance Transparency

In modern corporate governance, sustainability and Environmental, Social, and Governance (ESG) factors have become integral to business strategy, influencing risk management, value creation, and stakeholder engagement. Organizations increasingly recognize the importance of aligning corporate strategy with global sustainability goals, ensuring transparency and accountability in their operations. Sustainability reporting has emerged as a strategic tool in this transformation, enabling companies to communicate their ESG initiatives while strengthening stakeholder trust.

The integration of ESG factors into corporate governance reflects a shift toward stakeholder-oriented management models. As Xie et al. (2019) emphasize, ESG principles help businesses balance profitability with social and environmental responsibilities, fostering long-term sustainable growth. Companies that embrace ESG practices experience improved financial performance and reputation over time, highlighting the strategic advantages of sustainability-focused governance (Manning et al., 2019).

Transparency and accountability are central to ESG integration. Yu et al. (2018) highlight how risk disclosure has expanded beyond financial considerations to include ESG risks, driven by global frameworks such as the EU Directive 2014/95/EU and Global Reporting Initiative (GRI) standards. By disclosing ESG-related risks and opportunities, organizations enhance investor confidence and build credibility among stakeholders.

However, implementing ESG frameworks comes with challenges. Manning et al. (2019) note that inconsistencies in sustainability reporting make it difficult to standardize stakeholder engagement and governance. Additionally, Aguilera-Caracuel and Guerrero-Villegas (2017) argue that geographical diversification complicates CSR implementation, as stakeholder expectations vary across regions. These challenges highlight the need for tailored ESG strategies that account for regional and institutional differences.

Sustainability reporting has evolved into a vital governance mechanism for communicating corporate commitments to ethical and sustainable practices. According to Manning et al. (2019), effective reporting reduces information asymmetry and enhances corporate legitimacy among stakeholders. By providing clear, standardized disclosures, sustainability reports serve as a bridge between organizations and their stakeholders, fostering transparency and trust.

ESG transparency also strengthens firm value by reducing agency costs and attracting investors who prioritize sustainability (Yu et al., 2018). Recognizing this, regulatory frameworks such as the GRI and the EU Directive 2014/95/EU have established global reporting standards, ensuring consistency and comparability across industries. The GRI Database indicates that 82% of companies worldwide now employ these guidelines, underscoring their widespread adoption.

Furthermore, sustainability reporting aligns corporate goals with global development priorities. Yu et al. (2018) highlight how the United Nations Sustainable Development Goals (SDGs) encourage businesses to integrate sustainability principles into their strategies, addressing issues related to human rights, labor, environmental protection, and anti-corruption. This alignment enhances corporate contributions to societal well-being while reinforcing governance accountability.

Despite its advantages, sustainability reporting is not without flaws. Font et al. (2016) note that many CSR reports overstate immaterial issues while underrepresenting critical stakeholder concerns, leading to misalignment between corporate actions and stakeholder expectations. Addressing these gaps requires organizations to prioritize materiality and focus on the most impactful sustainability issues.

Moreover, sustainability reporting plays a crucial role in stakeholder engagement. Manetti (2011) suggests that companies can improve their reporting practices by fostering two-way communication, ensuring that stakeholder feedback informs future sustainability initiatives. This approach not only strengthens transparency but also reinforces corporate responsiveness to evolving societal and environmental concerns.

Sustainability, ESG, and governance transparency are interdependent pillars of modern corporate governance. ESG integration enhances corporate accountability and long-term value creation, while sustainability reporting provides a structured approach to communicating these commitments. By aligning governance strategies with global sustainability frameworks, organizations can foster stakeholder trust, drive innovation, and ensure their relevance in an increasingly responsible and transparent corporate landscape.

1.7. Leadership and Stakeholder-Centric Governance

Corporate governance is undergoing a fundamental shift from a shareholder-focused model to one that prioritizes stakeholders, sustainability, and long-term value creation. At the heart of this transformation is leadership shaping governance structures, fostering transparency, and ensuring that businesses operate ethically while balancing the interests of employees, customers, investors, and the broader community. A stakeholder-centric governance model, when combined with strong leadership, creates a resilient and forward-thinking organization that thrives in today's complex global landscape.

The stakeholder-centric approach to governance marks a departure from traditional profit-driven strategies, emphasizing the integration of diverse stakeholder interests into decision-making processes. Greenwood (2007) highlights that companies adopting this model align their corporate strategies with the expectations of employees, communities, and investors, ensuring that business success is shared among all relevant parties. This approach fosters long-term sustainability, ethical accountability, and strategic resilience.

One of the key strengths of a stakeholder-focused governance model is its ability to drive innovation and adaptability. Barcellos de Paula & Gil-Lafuente (2021) argue that stakeholder engagement is not just a compliance requirement but a catalyst for innovation and strategic

alignment. By involving stakeholders in governance decisions, businesses gain valuable insights into emerging trends, market shifts, and evolving societal expectations.

Transparency plays a vital role in reinforcing the legitimacy of stakeholder-centric governance. As Manning et al. (2019) point out, sustainability reporting reduces information asymmetry, enhancing trust between corporations and their stakeholders. Open communication, combined with ethical business practices, strengthens an organization's reputation and long-term viability.

While the stakeholder-centric model provides the foundation, leadership is the driving force that ensures its success. Effective leadership fosters a culture of accountability, integrity, and strategic foresight. Hofstede (2011) underscores the critical role of leadership in setting governance standards, maintaining ethical commitments, and ensuring that corporate values align with societal needs. Leaders who prioritize transparency and ethical behavior create trust among stakeholders and reinforce the credibility of governance structures.

Leadership also plays a key role in integrating sustainability into corporate strategies. Camilleri (2023) notes that transformational leaders encourage innovative governance practices that help organizations address environmental, social, and governance (ESG) challenges. Visionary leadership ensures that companies do not just react to global sustainability trends but actively contribute to solutions that benefit both business and society.

Engagement with stakeholders is another crucial responsibility of leadership. (Greenwood, 2007; Collinge, 2020) highlights that inclusive leadership fosters stronger relationships and ensures that governance frameworks genuinely reflect diverse stakeholder needs. Leaders who actively listen to and incorporate stakeholder perspectives into decision-making processes create governance systems that are both responsive and resilient.

Additionally, effective leaders ensure that governance practices align with broader global sustainability goals. Castelló et al. (2016) emphasize that leadership plays a vital role in integrating corporate strategies with frameworks such as the United Nations Sustainable Development Goals (SDGs). Forward-thinking leaders ensure that businesses remain proactive in addressing societal challenges rather than merely complying with regulations.

However, poor leadership can have detrimental effects on governance. Goodman & Arenas (2015) warn that weak or unethical leadership can lead to governance failures, misalignment with stakeholder expectations, and erosion of trust. To prevent this, organizations must invest in leadership development programs that reinforce ethical decision-making and accountability.

The combination of stakeholder-centric governance and strong leadership forms the backbone of modern corporate sustainability. By prioritizing stakeholder engagement, transparency, and ethical leadership, organizations can build governance frameworks that are resilient, adaptive, and aligned with societal expectations. Leaders who embrace this approach not only strengthen corporate governance but also drive long-term value creation, ensuring that businesses remain competitive and socially responsible in an ever-changing world.

1.2. Problem Statement

Corporate governance has evolved significantly over the years, shifting from a traditional shareholder-centric model to one that recognizes the influence of multiple stakeholders. While there is growing awareness of the critical role stakeholders play in shaping corporate governance and sustainability, organizations still face several challenges in effectively integrating stakeholder perspectives into their decision-making processes. Issues such as weak stakeholder engagement, inconsistent application of sustainability principles, and misalignment between corporate strategies and stakeholder expectations continue to hinder progress. These gaps highlight the need for a deeper understanding of how stakeholder influence can be leveraged to drive corporate sustainability.

As businesses navigate increasing pressure to align with global sustainability frameworks such as the United Nations Sustainable Development Goals (SDGs), the integration of stakeholder input remains fragmented and inconsistent across industries and regions. Structural weaknesses in governance, resource constraints, and institutional barriers make it difficult for organizations to fully utilize stakeholder engagement as a tool for fostering sustainable practices. In many cases, companies recognize the importance of stakeholder involvement but struggle to implement structured mechanisms that ensure meaningful participation.

The emergence of technological innovations and sustainability frameworks such as the circular economy and ESG (Environmental, Social, and Governance) principles offers new opportunities to enhance governance models. However, many organizations lack the necessary systems to integrate these tools effectively, resulting in a gap between the potential of stakeholder-driven governance and its actual implementation. Without clear strategies and structured engagement mechanisms, businesses risk falling short of their sustainability commitments and missing out on the long-term benefits of inclusive governance.

Given these challenges, this research seeks to explore the evolving role of stakeholders in corporate governance, identify key factors influencing stakeholder engagement, and develop frameworks that align governance practices with sustainability objectives. By synthesizing theoretical insights with practical case studies, this study aims to provide a comprehensive, stakeholder-centric governance model that enables businesses to navigate the complexities of modern sustainability challenges.

Ultimately, this research addresses the urgent need for actionable insights into stakeholder-driven governance, equipping organizations with the tools to foster transparency, inclusivity, and accountability. By strengthening the connection between corporate decision-making and stakeholder priorities, businesses can enhance their sustainability efforts, build trust, and create long-term value for both society and the corporate sector.

Chapter 2

2. Literature Review

2.1. Introduction to Corporate Governance

Corporate governance serves as a backbone of organizations. It is a structural framework that takes into account the interests of various stakeholders, including shareholders, customers, employees, regulatory bodies, and society and aligns the corporate actions with it. Over the years governance models have evolved from being shareholder-centric to stakeholder-centric models. Corporate governance ensures representation and decision-making powers are distributed among stakeholders, not solely shareholders, to create and distribute value effectively (Manetti & Toccafondi, 2012).

The primary purpose of corporate governance was to protect only the interest of shareholders by maximizing their profitability, however, as the views of governance started to shift from shareholder to stakeholder perspective, modern governance principles also started to recognize ethical responsibilities, the importance of sustainability, and long-term societal impacts. Traditional models emphasize shareholder-centric views, but recent studies recognize the need to integrate social and environmental expectations into governance frameworks Freeman (1984, as cited in Manetti & Toccafondi, 2012). The modern approach shifted from the sole benefit of shareholders to being more responsible towards stakeholders and society.

Corporate governance has several key elements such as the board of directors, policies and regulatory framework, and audit and accountability. The board of directors plays a very crucial role within an organization, they are responsible for overseeing the corporate strategies and resolving conflicts of interest. The board consists of regular members and also includes some independent directors. Corporate governance has evolved to incorporate sustainability by including independent board members and separating Chairman and CEO roles to emphasize long-term goals over short-term financial outcomes (Mzembe & Meaton, 2014).

A well-structured set of regulations and policies is required to enforce corporate governance. These policies serve as a guide for organizations to do business practices ethically and take stakeholder concerns into consideration. Accreditation within higher education institutions is a normative mechanism that fosters accountability, institutional change, and stakeholder engagement (Cooper, Parkes, & Blewitt, 2014). It shows that these policies and regulations serve as a structured governance framework.

Independent audits ensure transparency in corporate governance. Independent audits make sure that the organization is transparent and honest. Independent auditing and two-way feedback channels enhance governance accountability (Manetti & Toccafondi, 2012). The risk of corporate misconduct is mitigated through independent auditing, which is beneficial for gaining stakeholder trust.

2.2. Evolution of Corporate Governance: Shift from Shareholder to Stakeholder-Centric Approaches

Corporate governance models have transitioned from a shareholder-centric approach, which works only for the betterment of the shareholders by increasing their profits, to a stakeholder-centric approach, that balances the financial performance with sustainability, ethical responsibility, and long-term values. In traditional governance approaches managers only worked for profit maximization for shareholders and they completely ignored the stakeholders, but the corporate failures exposed their short thinking. “Traditional governance structures often excluded marginalized stakeholders, leading to ethical concerns and governance inefficiencies” (Goodman & Arenas, 2015).

Freeman introduced stakeholder theory and argued that corporate success depends on continuous engagement with all the individuals who have a legitimate interest in the organization. This argument paved the way for the inclusion of stakeholders in governance models to ensure transparency, sustainability, and ethical business practices. Network governance emerged because of this shift in the governance model. It distributes the authority of decision-making among various stakeholders. An example of network governance is highlighted by (Manetti & Toccafondi, 2012) Eroski is a cooperative that successfully integrates stakeholder engagement to ensure sustainable practices while preventing opportunistic managerial behavior.

Global events and regulatory framework reforms have reshaped governance models. The Sarbanes-Oxley Act (2002). It was introduced in response to scandals such as Enron and WorldCom, this US legislation enforced stricter auditing regulations, enhanced board oversight, and improved financial disclosure practices (Manetti & Toccafondi, 2010). The sole purpose of this act was to build public trust and prevent fraudulent practices. Another key development is the EU Corporate Sustainability Reporting Directive (CSRD) 2022. The EU reinforced stakeholder-oriented governance by requiring companies to disclose their sustainability impacts. The directive aligns corporate decision-making with Environmental, Social, and Governance (ESG) standards, emphasizing long-term accountability beyond financial performance (Cheng, Ioannou & Serafeim, 2014).

Another reform was The King IV Code of Corporate Governance of South Africa. This framework promotes integrated governance, emphasizing ethical leadership, sustainability, and stakeholder inclusivity. It mandates triple-bottom-line reporting, aligning corporate actions with economic, social, and environmental sustainability (Mzembe et al., 2016). All these reforms show a shift from a typical governance model toward responsible corporate governance where business considers the perspective of stakeholders along with the investors.

As businesses are changing due to technology and other factors, the expectations of the stakeholders are also changing, and corporate governance is adapting to these changes. Focus on the ESG is increasing which strengthens the need for sustainability and sustainable business practices. According to Choi & Wang (2009) as cited in (Cheng, Ioannou, & Serafeim, 2012), firms actively engaging in corporate social responsibility (CSR) experience a reduced likelihood of opportunistic behavior due to stronger relationships with stakeholders.

The stakeholders-inclusive governance model has become necessary in the modern business landscape for corporate success. With regulatory pressure, investor expectations, and societal demands converging, businesses must balance profitability with ethical responsibility, ensuring

governance structures that foster sustainable and socially responsible practices (Cheng, Ioannou & Serafeim, 2014).

2.3. Governance Theories Beyond Stakeholder Theories

Stakeholder theory is the dominant in corporate governance framework but it doesn't fully explain how businesses are governed and why they operate in the way they do because corporate governance is not only shaped by the stakeholder interests but other factors like financial incentives, and regulatory frameworks, and broader institutional norms also influence it. To gain the proper understanding, it is necessary to explore some other theories that provide deeper insight into how organizations balance power, accountability, and societal expectations, these theories are Agency Theory, Legitimacy Theory, and Institutional Theory.

Agency Theory is well-established, and it underlines the conflict of interest between the principal (shareholders) and agent (corporate executive), conflict arises when the managers who are entrusted with the decision-making within an organization, prioritize their benefit rather than the benefit of shareholders. In a traditional corporate structure, shareholders expect managers to act in their best interests, maximizing returns, while managers may prioritize personal benefits, such as excessive compensation or risk-averse strategies (Jensen & Meckling, 1976).

Some governance mechanisms are established to mitigate the risk arising from agency problems such as independent board oversight, performance-based incentives, and transparent financial disclosures. CSR strategies are defined as the voluntary integration of social and environmental concerns into business operations and stakeholder interactions (European Commission, 2001). Moreover, CSR reporting fosters governance by increasing transparency and signaling long-term commitment. Tools for CSR also work to align managerial actions with long-term shareholder interest. From the stakeholder perspective, CSR strategies mitigate negative regulatory or fiscal actions and attract socially responsible investors, thus linking corporate behavior with governance mechanisms Freeman (2010, as cited in Cheng et al., 2014)

Sarbanes-Oxley Act (2002) was also introduced to mitigate these issues and to enhance control. Strengthen executive accountability and prevent corporate mismanagement. Manetti and Toccafondi, (2012) also explained the separation of CEO and Chairman roles, along with mandatory financial disclosure, are tools designed to reduce agency problems and ensure executives make decisions in the best interest of the company's long-term health.

Businesses also need to build public trust and legitimacy in the stakeholders to ensure long-term success, this means going one step ahead of financial accountability. The organizations that fail to do it lose the investors' confidence and expose themselves to public backlash. **Legitimacy theory** suggests that organizations must align their operations with societal norms and values to gain credibility and acceptance. "Legitimacy in corporate governance refers to the generalized 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, as cited in Mzembe et al., 2016).

Legitimacy is crucial for industries with high societal and environmental impact, such as mining, energy, and manufacturing. Legitimacy is ensured by ESG disclosures, sustainability reporting, stakeholder engagement, independent audits, and CSR initiatives. Networked legitimacy strategies

emphasize open, non-hierarchical engagement via social media, allowing corporations to co-construct agendas with stakeholders (Castelló et al., 2016).

Multinational organizations take some extra steps to ensure legitimacy. By working closely with the local communities and NGOs to align with societal expectations and avoid reputational risk. Firms operating in conflict-prone regions, such as multinational enterprises in Central Africa, must work closely with NGOs and local communities to establish legitimacy and avoid reputational risks (Kolk & Lenfant, 2013).

External institutional pressure is another factor that shapes and influences corporate governance. **Institutional Theory** explains how organizations align their governance practices with cultural, regulatory, and professional norms. The neo-institutional theory explains that institutional considerations caused by external (exogenous) and internal (endogenous) pressure drive organizational change, ensuring governance systems evolve with societal expectations Seo & Creed (2002), as cited in Cooper et al., 2014). Every region and economic system uniquely influence corporate governance models. The European Union's Corporate Sustainability Reporting Directive (CSRD) reflects how institutional forces push businesses towards greater transparency and accountability (Cheng, Ioannou & Serafeim, 2014). Mzembe & Meaton (2014) explain frameworks also differ in different markets, while US firms emphasize shareholder value and executive compensation, European firms integrate sustainability and stakeholder engagement more explicitly.

Organizations voluntarily adopt best business practices due to institutional pressure even when it is not legally required to enhance their reputational standing. Sustainability reporting is framed as a tool for measuring performance and managing transitions towards a sustainable global economy (Font et al., 2016). It explains that the firms adopt these strategies not only for ethical reasons but also as a strategic adaption to institutional pressure.

Corporate governance is not a one-size-fits-all framework. While Stakeholder Theory highlights the role of diverse interest groups, governance is also influenced by financial conflicts (Agency Theory), societal trust and reputation (Legitimacy Theory), and external institutional norms (Institutional Theory). A well-rounded governance approach incorporates elements from each theory, ensuring that businesses remain accountable, transparent, and aligned with both stakeholder needs and institutional requirements (Cheng, Ioannou & Serafeim, 2014).

As global businesses face increasing regulatory pressures, shifting societal expectations, and evolving market dynamics, understanding corporate governance through multiple theoretical perspectives ensures companies remain adaptable, competitive, and sustainable in the long run. By integrating these perspectives, firms can navigate complex governance landscapes while maintaining trust, compliance, and long-term value creation.

2.4. Stakeholder Theory in Corporate Governance: A Paradigm Shift in Business Ethics and Strategy

Traditionally the purpose of corporate governance was to maximize shareholder value. Freeman introduced stakeholder theory in 1984, and it served as a transformative framework that argues that organizations must consider the interests of all the individuals and groups that are affected by their decisions. In the governance framework, the corporations must account for all the

stakeholders rather than solely working for the benefit of shareholders. Stakeholder theory argues for continuous engagement and involvement of all the individuals with legitimate interests in a corporation, Evan & Freeman (1988, as cited in Manetti & Toccafondi, 2012). This approach helped businesses to align with ethical responsibility, long-term sustainability, and social legitimacy. Stakeholder theory, unlike the traditional governance models, recognizes that businesses operate within a complex web of relationships. Organizations should address ESG (economic, social, and governance) concerns to achieve long-term success. Corporate governance ensures representation and decision-making powers are distributed among stakeholders, not solely shareholders, to create and distribute value efficiently (Manetti & Toccafondi, 2012).

Let's discuss the '**Evolution and Extension of Stakeholder Theory**'. Gradually, researchers have expanded the original stakeholder theory idea of Freeman to explore how stakeholders influence corporate governance. (Evan & Freeman, 1988) advocated for the participatory decision-making structure, and strengthened the idea that corporations have a moral responsibility toward stakeholders. Hill & Jones integrated agency theory with stakeholder theory expanded the idea and proposed a governance mechanism that directors will work for the interest of all stakeholders. The stakeholder-agency theory posits that directors act not only in shareholders' interests but also in those of other stakeholders through transparent governance structures" Hill & Jones (1992, as cited in Manetti & Toccafondi, 2012).

Stakeholder theory has some refinements as well.

- The first refinement is '**Stakeholder Legitimacy and Salient Models**'. These models were designed to categorize the stakeholders based on power, urgency, and legitimacy; this helps the firm prioritize their engagement strategies with different stakeholders. Stakeholder influence depends on power, legitimacy, and urgency attributes, ensuring effective engagement strategies without overburdening decision-making systems (Mitchell et al., 1997).
- Second refinement is '**Network Governance Models**'. Through participatory councils or advisory boards, some firms directly incorporate stakeholder participation in the decision-making process. Network governance models, like that of Eroski, demonstrate a system where stakeholder engagement ensures sustainable practices and prevents opportunistic managerial behavior (Manetti & Toccafondi, 2012).
- Third refinement is '**Corporate Social Responsibility (CSR) and Ethical Governance**'. It shows that firms that regularly engage with stakeholders are prone to achieve transparency, ethical business practices, and long-term value creation. Cheng (2014) argues firms engaging in CSR demonstrate a reduced likelihood of opportunistic behavior due to stronger stakeholder relationships.

All the stakeholders do not have a similar influence over corporate governance, some stakeholders have more influence than others. (Mitchell et al., 1997) introduces a power-legitimacy-urgency framework, which distinguishes between primary and secondary stakeholders based on the level of influence and direct involvement in corporate success.

Not all stakeholders hold the same level of influence over corporate governance. Mitchell et al. (1997) introduced the power-legitimacy-urgency framework, which distinguishes between

primary and secondary stakeholders based on their level of influence and direct involvement in corporate success.

Primary Stakeholders have a direct economic or operational stake in the company and have a significant impact on the company's performance. These stakeholders include shareholders (provide capital and expect financial returns), employees (contribute to labor, innovation, and organizational stability), customers (drive revenue through purchasing decisions), and suppliers (ensure business continuity through product and service supply). Shareholders' voting rights and independent boards in governance structures are primarily designed to address stakeholder's concerns.

Secondary Stakeholders do not have direct involvement or any sort of financial ties to a firm, but they can still shape corporate governance through public pressure, advocacy, and regular interventions. These stakeholders include regulators and governments (establish legal and compliance frameworks), NGOs, and civil society organizations, NGOs and civil society actors are significant stakeholders influencing MNE strategies, particularly in fragile regions (Kolk & Lenfant, 2013), Media and Public opinion (Shape corporate reputation and consumer trust), Local Communities (expectation from a firm to act reasonably and contribute to social and environmental wellbeing, Stakeholder engagement in governance ensures that companies align their actions with broader societal expectations (Barcellos de Paula & Gil-Lafuente, 2021).

It is important to distinguish between primary and secondary stakeholders so the firms can create effective governance strategies to balance financial performance with ethical responsibility. In the modern globalized economy, stakeholder expectations are evolving, forcing organizations to integrate sustainability, transparency, and accountability into their governance models. Stakeholder engagement is not just a matter of ethics but a strategic necessity for long-term corporate success (Ansong, 2017). As the governance strategies are changing, stakeholder theory serves as a pillar to make sure that the firms create value not only for shareholders but for all the stakeholders of society.

2.5. Mechanism of Stakeholder Influence on Corporate Governance

Corporate Governance is influenced by the actions and expectations of stakeholders. Governance frameworks are influenced by regulatory bodies, investors, and NGOs through financial leverage, social advocacy, and legal enforcement. Due to these procedures, firms operate transparently, ethically, and sustainably and these procedures also help firms align their business practices with social and environmental responsibilities. Stakeholder influence is driven by three essential attributes power, legitimacy, and urgency, which determines the effectiveness of engagement while preventing decision-making bottlenecks (Mitchell et al., 1997). The factors that influence the firms towards accountability, ethical conduct, and long-term value creation.

Investor Activism explains how institutional investors and activist shareholders leverage their financial influence to redesign corporate governance to promote transparency, sustainability, and ethical business practices. To initiate governance changes (such as executive pay reforms, board divert improvements, and ESG commitments) large investment corporations and proxy advisory services use shareholder resolutions, proxy voting, and direct board engagement. Blackrock is one

of the largest financial institutions in the world and it has influenced firms to disclose climate risks, strengthen board diversity, and commit to net-zero carbon targets. According to Cheng (2014) firms engaging in CSR demonstrate a reduced likelihood of opportunistic behavior due to stronger stakeholder relationships.

Similarly, critical voting recommendations to institutional investors are provided by Institutional Stakeholder Services (ISS) which influences corporate decisions on sustainability and governance. Sustainability reporting is an essential practice for communicating CSR activities and addressing information asymmetries between firms and stakeholders Fernandez-Feijoo (2014, as cited in Yan et al., 2022). Institutional investors shape governance frameworks through financial activism ensuring companies balance profitability with ethical and long-term sustainability goals.

NGOs play an important role in holding firms accountable for social and environmental impact. NGOs launch public campaigns, investigative reports, and legal actions to expose unethical business practices, human rights violations, and environmental mismanagement, pressuring firms to adopt responsible policies. For example, the Greenpeace environmental campaign has successfully for the organizations to incorporate greener supply chain policies and reduce carbon footprints. NGPs such as Amnesty International and Save the Children employ monitoring and dialogue as mechanisms to influence corporate behavior and advocate for governance improvements (Kolk & Lenfant, 2013).

Human Rights Watch has also encouraged governance in industries with poor labor conditions, advocating for ethical sourcing practices, better worker protections, and fair wages. Stakeholder relations are increasingly critical in governance, particularly for large extractive industries, where social license depends on trust, legitimacy, and fairness (Parsons et al., 2014). Conflict-prone zones are the most influenced by NGOs where corporations face heightened scrutiny from civil society groups demanding ethical governance. NGO advocacy has influenced corporate social responsibility (CSR) initiatives, improved labor practices, and independent third-party audits.

Regulatory Influence is when governments and regulatory agencies act as formal enforcers of government standards that ensure firms comply with financial, ethical, and sustainability requirements. Legal frameworks enhance transparency, establish accountability measures, and drive government reforms. For instance, the EU Corporate Sustainability Directive (CSRD) instructs detailed sustainability disclosures, compelling corporations to report their social and environmental impact transparently. CSR reporting fosters governance by increasing transparency and signaling long-term commitment (Cheng et al., 2014).

Worldwide governments have introduced stringent ESG reporting requirements, requiring organizations to integrate sustainability into financial decision-making. "Accreditation standards emphasize the inclusion of diverse stakeholder voices, reinforcing institutional legitimacy and accountability" (Cooper, Parkes, & Blewitt, 2014). Regulatory frameworks also influence governance through environmental regulations (such as carbon emission caps and pollution control laws), anti-corruption and anti-money laundering policies (enforce ethical financial practices), and labor laws (ensuring fair wages, workplace safety, and human rights protections). Governments mitigate corporate misconduct and align business strategies with national and global sustainability objectives by imposing compliance requirements.

Stakeholders act as external governance enforcers by ensuring corporations remain socially responsible, financially transparent, and ethically sound. “The interplay between governance and sustainability is exemplified by the use of CSR reports, which align environmental and economic goals” (Caritte et al., 2015). As global challenges like climate change, social inequality, and ethical business conduct continue to rise stakeholders will continue to influence governance reforms. Governance influence will be shaped by the dynamic interplay between businesses and those who hold them accountable.

2.6. Measuring Stakeholder Influence: Metrics and Framework

In the modern corporate governance landscape, businesses must carefully evaluate and respond to the influence of various stakeholders. “Not all stakeholders have the same level of impact, some exert direct power through financial investments or regulatory control, while others shape behavior through long-term advocacy, reputational influence, or policy inventions (Mitchell et al., 1997). Companies use a structured framework that helps them navigate key stakeholders to prioritize engagement with them to enhance governance structure and strengthen accountability.

Key stakeholders are separated from others based on the **power-interest** grid. This concept was introduced by (Mitchell et al., 1997) which categorizes stakeholders based on their vested interest and level of authority within an organization. The power-interest grid divides stakeholders into four types.

- **High Power, High Interest (Key Players):** These stakeholders have the most influence in the decision-making. These stakeholders include institutional investors, regulatory bodies, and government agencies. Firms need to actively engage with them through direct consultation, governance policies, and direct consultations.
- **High Power, Low Interest (Keep Satisfied):** These stakeholders are not actively engaged with the organizations but have the power to exert influence whenever they deem necessary. These stakeholders include industry associations and large corporate partners. Maintaining relationships with them is important.
- **Low Power, High Interest (Keep informed):** Stakeholders that do not have direct decision-making authority in a firm but can significantly impact corporate reputation. NGOs, civil society groups, and consumers fall under the category of these stakeholders. Organizations should communicate their concerns through transparent communication and Corporate Social Responsibility (CSR) initiatives.
- **Low Power, Low Interests (Monitor):** Stakeholders that cannot exert immediate influence, but their role can grow over time. Local communities and small stakeholder groups fall under this category. Making periodic engagement with these stakeholders is necessary.

By implementing the Power-Interest Grid, organizations can develop a proactive approach to stakeholder management, ensuring that governance structures align with stakeholder expectations and potential risks (Mitchell et al., 1997).

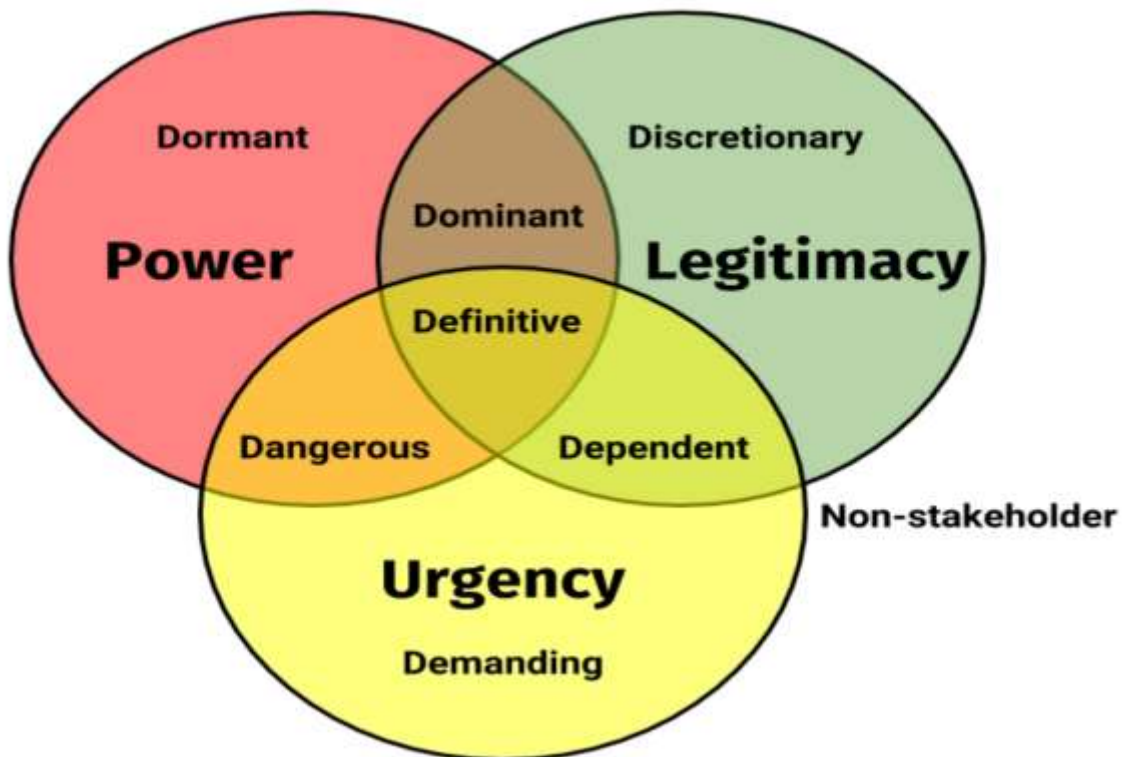
Another metric is **ESG ratings**, measuring governance through sustainability scores. Environmental, Social, and Governance (ESG) ratings have become an important measure of

corporate performance. Some organizations like Sustainalytics, MSCI, and CDP assign these ratings to assess a firm's adherence to sustainability, ethical governance, and social responsibility. Sustainalytics evaluates firms based on governance risk exposure, such as executive compensation, board independence, and social responsibility. MSCI ESG Ratings focuses on industry-specific sustainability risks and stakeholder engagement strategies to assess companies' resilience. CDP Scores (Carbon Disclosure Project) focuses on environmental transparency, measuring corporate policies on climate change, water scrutiny, and deforestation (Cheng et al., 2014). Companies can strengthen their credibility with stakeholders by integrating ESG ratings into corporate governance.

García-Sánchez et al. (2023) explain the stakeholder salient model evaluates the priority of the different stakeholders based on the three qualities. Power (stakeholder's ability to influence corporate decisions), Legitimacy (validity of stakeholder's claims or concerns), and urgency (level of immediate attention required for stakeholder's demands). Such stakeholders that possess all three attributes are the most salient and require immediate governance actions. **Salient stakeholders** are mostly government regulators and activist shareholders. Stakeholders with only one attribute may not have direct influence but still shape long-term corporate reputation, such stakeholders might be general consumers or passive investors. Understanding this model helps organizations prioritize governance responses and mitigate the risks associated with investor activism, regulatory non-compliance, and social movements.

Fig 2.6- Source (deepfriedbrainproject.com)

The Saliency Model Diagram



Many corporations have adopted standardized frameworks such as **Corporate Social Responsibility (CSR) Reporting** and the **Global Reporting Initiative (GRI)** to enhance transparency and accountability. These frameworks provide structured metrics to assess stakeholder engagement and governance effectiveness. GRI 102 (covers corporate governance structure, stakeholder engagement policies, and board composition), GRI 202-400 Series (includes key performance indicators (KPIs) for economic, environmental, and social impacts), GRI 415 (ensure transparency in corporate lobbying, government relations, and regulatory compliance) (GRI Framework, 2016). By incorporating CSR and GRI standards, companies provide verifiable data on their governance and sustainability performance, strengthening trust with stakeholders and aligning corporate strategies with ethical business practices (Cheng et al., 2014).

Corporate governance is enhanced by the structured approach to assessing stakeholder influence by ensuring accountability, transparent decision-making, and response to external pressure. The combination of Power-Interest Analysis, ESG Ratings, Stakeholders Salience Models, and CSR Reporting provides organizations with comprehensive insights into governance effectiveness (Cheng et al., 2014). Firms can proactively address stakeholder concerns, identify governance risks, and adapt to evolving societal expectations by leveraging these frameworks. Metrics will continue to influence ethical, responsible, and sustainable business practices as transparency and stakeholder-driven governance become central to corporate strategy.

2.7. Interaction between Sustainability and Corporate Governance

Sustainability and corporate governance are not so different anymore. These two concepts are now interconnected. By implementing effective governance strategies firms make sure to prioritize social and environmental well-being along with financial success. Corporations also ensure to operate ethically, transparently, and reasonably. Achieving sustainability goals is the priority of all businesses now, as the global challenges are increasing stakeholders are pressurizing the businesses to align their strategies with governance goals.

Sustainability in the corporate strategy is a key element to strengthen stakeholder trust. Companies that embed sustainability in their decision-making processes are more adaptable to regulatory shifts and better positioned to address societal expectations (Castello et al., 2016). Some governance models provide a strategic approach to balance financial success with societal well-being. Governance models such as the Triple Bottom Line (TBL), Environmental, Social, and Governance (ESG) frameworks, and the Circular Economy provide strategic approaches to balancing profitability with ethical and environmental responsibilities, Elkington (1997, cited in Yu et al., 2018).

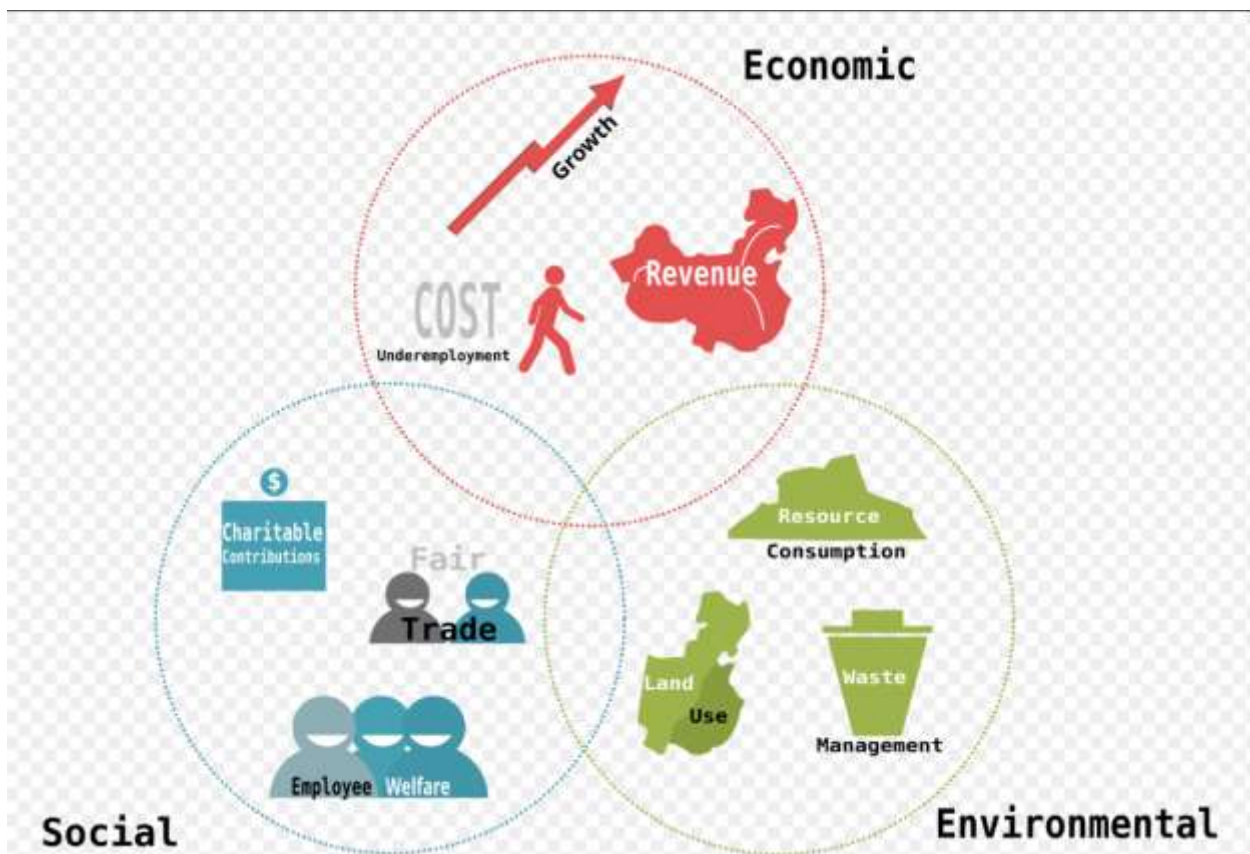
The Triple Bottom Line (TBL): According to Tiba (2019), this mechanism states that three elements define corporate success people, planet, and profit. This is a balanced approach with which firms can assess their impact on societal welfare with financial gains.

- **People (Social Sustainability):** Businesses that prioritize ethical labor practices, fair wages, diversity, inclusion, and community engagement create long-term value for employees and society.

- **Planet (Environmental Sustainability):** Sustainable companies adopt carbon footprint reduction strategies, invest in renewable energy, implement waste management systems, and support biodiversity conservation.
- **Profit (Economic Sustainability):** Companies that align their financial strategies with sustainable principles experience long-term financial stability, enhanced brand reputation, and stakeholder loyalty.

Sustainability reporting is framed as a tool for measuring performance and managing transitions towards a sustainable global economy (Font et al., 2016). Organizations that integrate TBL in their governance structure tend to reduce their social and environmental risk.

Fig. 2.7- Source (Wikipedia)



The **Environmental, Social, and Governance (ESG) framework** shows that consumers use ESG ratings to evaluate ethical governance and corporate responsibility. The ESG elements are as under,

- **Environmental (E):** This includes companies' climate action plans, energy efficiency measures, waste reduction efforts, and carbon neutrality commitments.
- **Social (S):** Sustainable companies focus on employee well-being, human rights, consumer protection, and corporate social responsibility initiatives.

- **Governance (G):** Strong governance ensures board diversity, executive accountability, transparent leadership, and anti-corruption measures.

Firms engaging in CSR demonstrate a reduced likelihood of opportunistic behavior due to stronger stakeholder relationships, Choi & Wang (2009, as cited in Cheng et al., 2014). Investors assess firms based on their ESG rating to influence board decisions and execute strategies. ESG integration in governance ensures that sustainability is not treated as an afterthought but as a core business function (Cheng et al., 2014). Companies that embrace ESG principles strengthen their corporate resilience, maintain regulatory compliance, and secure long-term operational success (Castelló et al., 2016). The governance influenced by ESG has a low risk of social and environmental risks and also reinforces their sustainability concerns.

Circular Economy & Sustainable Supply Chain

The Circular Economy Model is different from traditional models. The key principles of this model that promote sustainability are waste minimization, resource efficiency, and extended product lifecycles.

- **Minimizing Waste:** Firms do recycle and use closed-loop production models to reduce their environmental impact.
- **Sustainable Supply Chains:** Businesses guarantee responsible production, ethical sourcing, and sustainable distribution processes.
- **Product Lifecycle Extension:** Firms make sure to design goods in a way to reduce waste and resource depletion through longevity, repairability, and recyclability.

Sustainability-focused CSR initiatives have been linked to achieving social legitimacy, aligning corporate actions with community expectations, and addressing socio-economic challenges (Mzembe & Meaton, 2014). Companies like Unilever and Tesla have successfully implemented circular economy strategies by adopting renewable energy, biodegradable packaging, and carbon-neutral production, proving how governance can drive business models that support long-term ecological and financial sustainability.

2.8. The Role of Ethical Leadership in Stakeholder's Governance

Corporate governance is more than just a system of rules, policies, and structures, it is a reflection of leadership, ethics, and strategic vision. Ethical leaders shape governance culture, drive stakeholder engagement, and establish priorities that influence how organizations interact with their stakeholders. Whether governance becomes a mere compliance exercise or a genuine commitment to ethical and sustainable business practices largely depends on leadership (Ansong, 2017).

Strong ethical leadership fosters a culture of transparency, accountability, and sustainability, ensuring that governance frameworks are not merely formalities but are actively upheld in corporate decision-making (Manetti & Toccafondi, 2012). Leaders who champion corporate responsibility create workplaces that value trust and inclusivity while ensuring governance aligns

with ethical principles rather than short-term financial gains (Barcellos de Paula & Gil-Lafuente, 2021).

Leadership is important to understand while discussing governance. **Transformational and Transactional Leadership** are the two main styles of leadership in governance. Leadership plays a vital role in influencing governance frameworks and stakeholder engagement.

- **Transformational Leadership:** This style focuses on vision, innovation, and stakeholder engagement. Transformational leaders inspire employees, investors, and external stakeholders to align with sustainable governance goals (Aguilera-Caracuel et al., 2015). They go beyond regulatory compliance by integrating corporate social responsibility (CSR) and environmental, social, and governance (ESG) factors into decision-making (Ansong, 2017).
- **Transactional Leadership:** This leadership style is rules-based and compliance-driven, ensuring regulatory adherence but often lacking the flexibility for ethical governance. While effective for maintaining operational efficiency, it may not be sufficient for fostering long-term stakeholder trust. CSR fosters positive employee outcomes such as pride, job satisfaction, and organizational commitment, which contribute to enhanced financial performance and sustainable corporate governance (Cheng, 2014).

A transformational leadership approach encourages companies to integrate stakeholder perspectives, sustainability strategies, and ethical decision-making into governance, ensuring businesses remain accountable and future focused.

CEO influence on Stakeholder Policies has a significant importance. The ethical stance of a CEO significantly impacts corporate governance policies, sustainability efforts, and stakeholder relations. An ethically driven CEO sets a governance tone that prioritizes long-term value creation, transparency, and corporate social responsibility.

- **Investor Influence:** Investors and board members increasingly scrutinize how CEOs align governance strategies with ESG priorities. Investor activism forces corporations to rethink governance policies, often leading to board diversity reforms, executive pay adjustments, and heightened ESG reporting standards (Fernandez-Feijoo et al., 2014).
- **Stakeholder-Centric Strategies:** Ethical CEOs cultivate trust with employees, customers, and communities by incorporating stakeholder perspectives into governance frameworks. Network governance models, like that of Eroski, demonstrate a system where stakeholder engagement ensures sustainable practices and prevents opportunistic managerial behavior (Manetti & Toccafondi, 2012).

Companies led by CEOs who prioritize stakeholder interests over short-term profits tend to be more resilient, innovative, and socially responsible, ensuring long-term sustainability and competitive advantage.

Ethical Decision-Making & Governance Transparency should be there. Leadership integrity directly influences corporate transparency, risk management, and ethical decision-making. Ethical

leaders ensure businesses move beyond mere regulatory compliance to actively foster a culture of responsibility.

- **Corporate Legitimacy & Ethical Reputation:** Organizations that fail to prioritize ethical governance risk losing stakeholder trust, facing regulatory scrutiny, and damaging long-term credibility. Legitimacy in corporate governance refers to the 'generalized 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' (Kroll et al., 2023).
- **Transparent Reporting & Accountability:** Ethical leaders advocate for sustainability reporting, fair labor practices, and responsible supply chain management. Accreditation standards emphasize the inclusion of diverse stakeholder voices, reinforcing institutional legitimacy and accountability (Cooper, Parkes, & Blewitt, 2014).

By prioritizing ethical decision-making, leaders help drive governance improvements, ensuring businesses remain accountable, socially responsible, and aligned with stakeholder expectations.

Corporate governance is not just about policies it is about people, leadership, and corporate culture. Ethical leadership strengthens governance by reinforcing transparency, accountability, and stakeholder trust. Strong leadership fosters a culture of transparency, accountability, and sustainability, ensuring that governance frameworks are not merely formalities but are actively upheld in corporate decision-making (Manetti & Toccafondi, 2012).

As businesses face increasing regulatory pressures and societal expectations, leadership will continue to be a key driver in shaping governance that balances profitability with long-term social responsibility (Barcellos de Paula & Gil-Lafuente, 2021). Organizations led by ethical and transformational leaders will not only comply with governance frameworks but will actively champion ethical decision-making and stakeholder engagement, shaping a future where governance reflects integrity, inclusivity, and sustainability.

2.9. Challenges in Stakeholder Engagement and Influence in Corporate Governance

Stakeholder engagement is the pillar of constructive corporate governance which makes corporations accountable to regulators, consumers, employees, investors, and society at large. There are a lot of systematic issues while aligning stakeholder expectations with governance structures. The issues are greenwashing, cultural differences, and information asymmetry. These issues negatively impact corporate accountability, can undermine stakeholder trust, and limit the effectiveness of sustainability initiatives. Despite attention toward environmental, social, and governance (ESG) principles, limited research explores how stakeholder engagement impacts firm-level governance structures, particularly in addressing global challenges like climate change and inequality (Cheng, Ioannou, & Serafeim, 2014). This limited research highlights a fundamental gap in how firms can incorporate stakeholder perspective into governance structure.

The first issue is **greenwashing and false ESG commitment**. As businesses adopt sustainable practices, many firms are trying to become leaders in ESG, but many of these firms engaged in greenwashing misrepresent their social and environmental measures to appear more reasonable

than they are. These false practices negatively impact stakeholder trust, erode corporate credibility, and weaken the legitimacy of sustainability initiatives.

- **False Sustainability Claims:** Many organizations overstate their ESG efforts without making any significant changes to their operations. Greenwashing occurs when corporate communication disrupts the balance between sensemaking and sense-giving, leading to stakeholder skepticism about the company's actual environmental and social contributions (Vollero et al., 2016).
- **Superficial ESG Strategies:** Some businesses prioritize PR campaigns over real impact, focusing on marketing sustainability rather than embedding it into governance frameworks. A lack of meaningful two-way dialogue and over-reliance on superficial communication strategies increases the likelihood of greenwashing accusations (Vollero et al., 2016).
- **Misleading ESG Reporting:** Some firms selectively disclose favorable sustainability metrics while omitting negative impacts, misleading investors and consumers.

To combat greenwashing, businesses must adopt transparent reporting, third-party audits, and measurable ESG performance indicators. Transparency and consistency in CSR messaging are highlighted as key factors in fostering public trust and maintaining the credibility of sustainability claims, Du (2010, as cited in Vollero 2016).

Another key issue is the **Information Asymmetry and Transparency Gap**. Effective stakeholder engagement depends on timely, accurate, and accessible information. However, information asymmetry where management has more knowledge than external stakeholders create a transparency gap, making it difficult for investors, regulators, and the public to assess governance effectiveness.

- **Lack of Standardized Sustainability Metrics:** Many companies struggle with clear and consistent ESG reporting, leading to confusion and mistrust. Despite progress in environmental reporting, significant gaps remain in the standardization and consistency of key performance indicators (KPIs) across industries (Caritte et al., 2015).
- **Ambiguous Decision-Making:** When corporations meaningfully engage with the stakeholders or they fail to disclose their governance decisions, they put their legitimacy at risk. Materiality assessments reveal gaps between stakeholder expectations and company disclosures, such as underreporting on critical issues like labor rights, biodiversity, and community development (Font et al., 2016).
- **Selective or Delayed Disclosures:** Some firms control narratives by disclosing only favorable ESG data, preventing real-time stakeholder influence.

To reduce these transparency gaps businesses must enhance their corporate disclosures, provide independent ESG verification more often, and create a governance mechanism to facilitate meaningful stakeholder participation. Without access to reliable and timely information, stakeholders struggle to exert meaningful influence over corporate governance (Boadi et al., 2019).

The last issue is the **Cultural Difference in Stakeholder Expectations**. As multinational companies operate in different regions of the world, stakeholder's expectations change with the region making it hard for multinational organizations to implement a uniform engagement strategy.

- **Conflict in Stakeholder Priorities:** For some stakeholders, the priority is environmental sustainability and ethical labor practices, while the other stakeholders focus on economic growth and job creation. MNEs in developing regions must manage local stakeholders' expectations while addressing international accountability standards to maintain legitimacy (Ansong, 2017).
- **Diverse Governance and Regulatory Approaches:** Every country has a different governance structure and compliance standards. These differences create complications in corporate efforts to maintain consistent stakeholder engagement. Limited research examines how MNEs reconcile local and global stakeholder demands while maintaining consistent CSR strategies across markets (Aguilera-Caracuel et al., 2018).
- **Cultural and Political Differences:** In some regions, corporate governance prioritizes shareholder primacy, while in others, participatory decision-making is more common. Stakeholder demands vary significantly between regions, complicating CSR initiatives for MNEs operating across diverse cultural, economic, and regulatory contexts (Aguilera-Caracuel et al., 2018).

Addressing these challenges is important, firms can structure local governance frameworks, and more culturally adaptive engagement models, and can make strategies in collaboration with stakeholders to meet regional expectations while maintaining global standards. For building an inclusive and effective governance framework corporations need to move beyond performative ESG commitments and embrace culturally adaptive stakeholder engagement strategies. The participatory inclusion of stakeholders in sustainability assessment builds trust and legitimacy, ensuring corporate governance aligns with evolving societal expectations (Barcellos de Paula & Gil-Lafuente, 2021).

In modern governance accountability, measurable sustainability efforts, and ethical corporate behavior are stakeholder's demands. The organizations that proactively address these challenges enhance legitimacy, build long-term stakeholder trust, and strengthen corporate sustainability in an increasingly complicated global landscape.

2.10. Industry-Specific Approaches to Stakeholder Governance: Navigating Unique Challenges and Expectations

Corporate governance is not a one-size-fits-all model, every industry has different regulatory standards, market dynamics, and different stakeholder expectations that influence its governance strategies. Some sectors, like technology and finance, have a competitive advantage in integrating sustainability and ethical investing while other sectors like energy and mining have high scrutiny standards due to social and environmental concerns. Corporations must align their governance strategies based on their industry-specific challenges to maintain financial stability, legitimacy, and long-term sustainability. Stakeholder engagement in governance ensures that corporations align their actions with broader societal expectations (Zaid et al., 2020). By examining different industries, we gain a deeper understanding of how governance differs and why stakeholder demands are central to corporate decision-making.

Industry and Technology (Google & Apple): The technology sector has experienced a significant shift towards data privacy, sustainability, and corporate transparency. To address the

concerns of stakeholder's tech giants like Google and Apple have integrated environmental, social, and governance (ESG) principles into their corporate strategies.

- By 2030, Google has committed to operate entirely on renewable energy and aims for net-zero emissions across its supply chain. The company prioritizes sustainability by promoting the ethical use of AI and by reducing data center energy consumption. Google's governance model integrates ESG factors, particularly in minimizing carbon footprint and ensuring responsible AI deployment (Aguilera-Caracuel et al., 2015).
- By 2030, Apple has pledged to make all its products carbon-neutral. To achieve this goal Apple has enforced strict environmental and labor standards on its suppliers. Apple has aligned its governance strategies with stakeholder expectations through ethical sourcing and circular economy practices. Apple's governance strategy reflects evolving consumer and investor demands, showcasing sustainability as a driver of corporate legitimacy (Kolk & Lenfant, 2013).

Governance strategies in tech industries are no longer focused on profitability, it's about sustainability, strengthening consumer trust, enhancing investor confidence, and regulatory compliance. Sustainability and transparency have become key drivers of corporate legitimacy, influencing investor's decisions and consumer trust (Caritte et al., 2015).

Financial Sector (BlackRock & Vanguard): The finance sector influences governance structures through investment decisions. Giant financial institutions like BlackRock and Vanguard influence their corporate behavior by promoting ESG-driven policies and ethical business practices.

- BlackRock has forced corporations to disclose climate risks and integrate sustainability in their governance framework. Larry Fink, CEO of BlackRock, in an annual letter prioritized long-term stakeholder value over short-term profits. Investor activism forces corporations to rethink governance policies, often leading to board diversity reforms and heightened ESG reporting standards (Fernandez-Feijoo et al., 2014).
- Vanguard has recently shifted its focus from passive investing to increased ESG engagement, advocating for ethical governance and board diversity. This shift shows stakeholder's pressure for more responsible investments.

Financial institutions no longer act as passive observers in corporate governance; they are key enforcers of sustainable business practices. Banks and investment firms that fail to integrate ESG factors risk divestment, regulatory penalties, and loss of public trust (Zhou et al., 2018).

Energy Industry Traditional vs Sustainable Governance (Exxon Mobil & Tesla): The energy sector faces some of the most intense stakeholder scrutiny due to environmental and regulatory concerns. While fossil fuel companies like ExxonMobil resist ESG-driven governance changes, sustainability-focused firms like Tesla thrive on market disruption.

- ExxonMobil has historically prioritized shareholder returns and lobbied against climate regulations, facing backlash from environmental activists and sustainable investors. However, activist investor groups have successfully pushed for governance reforms, such

as appointing pro-sustainability board members. Companies that fail to adapt to stakeholder expectations face increasing regulatory and investor pressure (Aguilera-Caracuel et al., 2015).

- Tesla, on the other hand, has positioned itself as a leader in clean energy and sustainability. It pioneers electric vehicles and renewable energy storage but faces governance criticisms regarding CEO accountability and workplace culture. Strong ESG performance in one area does not always translate to holistic governance excellence (Kolk & Lenfant, 2013).

The energy industry exemplifies the tension between traditional corporate governance and sustainability-driven stakeholder expectations. Companies that adapt gain a competitive edge, while those resistant to change face growing financial and regulatory risks.

Mining Industry, Environmental & Social Responsibility (Paladin Energy & CSR Initiative):

The mining sector must navigate environmental risks, local community engagement, and regulatory compliance to maintain its social license to operate.

- Many firms adopt Corporate Social Responsibility (CSR) frameworks to foster trust with local communities, mitigate environmental damage, and ensure ethical resource extraction. "Paladin's CSR agenda reflects efforts to align with global and local sustainability goals by adopting frameworks like the Equator Principles, which emphasize environmental and social risk management" (Mzembe & Meaton, 2014).
- Companies that fail to engage stakeholders effectively risk opposition, legal disputes, and reputational damage. The Malawian government successfully lobbied for Paladin Energy to allocate \$10 million to community development projects following stakeholder pressure. "Regulatory compliance and ethical mining practices are crucial for industry legitimacy and long-term operational stability" (Mzembe & Meaton, 2014).

Effective governance in the mining industry requires balancing economic interests with social and environmental accountability.

Higher Education, Governance Through Ethics & Accreditation: Universities and business schools are increasingly incorporating ethical governance, stakeholder inclusivity, and sustainability education into their institutional frameworks.

- Accreditation bodies such as EQUIS and PRME encourage institutions to integrate sustainability and responsible management education. Accreditation within higher education institutions is a normative mechanism that fosters accountability, institutional change, and stakeholder engagement (Cooper, Parkes, & Blewitt, 2014).
- Stakeholder engagement in curriculum development ensures that universities produce ethical leaders equipped for governance challenges. "Business schools play a critical role in promoting sustainability literacy and embedding ethics into educational practices" (Cooper et al., 2014).

Institutions that fail to prioritize governance risk losing global competitiveness and reputational standing.

Consumer Goods Industry: Sustainable Supply Chain & Ethical Sourcing: The consumer goods sector including fashion, food, and electronics faces increasing pressure to enhance supply chain transparency, ethical sourcing, and environmental sustainability.

- Companies integrate circular economy models and responsible sourcing to meet consumer expectations for sustainable products. The prioritization of sustainability topics using fuzzy logic-based tools helps companies manage diverse and conflicting stakeholder opinions effectively (Barcellos de Paula & Gil-Lafuente, 2021).
- Human rights compliance and fair labor practices are essential for maintaining brand reputation and regulatory approval. Stakeholders significantly influence CSR by enforcing accountability through social movements, regulatory pressures, and public expectations (Ansong, 2017).

Neglecting stakeholder expectations in sustainability and labor rights can lead to consumer boycotts and reputational damage.

Different industries face unique governance challenges and must adopt tailored stakeholder engagement strategies to build stakeholder trust and maintain legitimacy, align with industry-specific regulations and global sustainability standards, and to mitigate risks related to ESG concerns, labor practices, and environmental impact

As stakeholder expectations evolve, businesses must continuously adapt their governance models to remain competitive, ethical, and sustainable. The participatory inclusion of stakeholders in sustainability assessments builds trust and legitimacy, ensuring corporate governance aligns with evolving societal expectations (Barcellos de Paula & Gil-Lafuente, 2021).

By understanding industry-specific governance approaches, organizations can develop responsive strategies that balance financial success with ethical and environmental responsibility.

2.11. Emerging Trends in Corporate Governance & Stakeholders Influence

Corporate governance is undergoing a rapid transformation as businesses adapt to technological advancements, evolving stakeholder expectations, and increasing regulatory pressures. Investors, regulators, employees, and consumers are demanding greater transparency, ethical leadership, and sustainability-driven decision-making. The business environment is becoming increasingly complicated as the rise of digital governance, AI-driven accountability, ESG-focused financing, and stakeholder activism is influencing the way companies operate by making sure that they remain resilient. As governance frameworks are evolving, businesses must embrace new techniques to enhance corporate accountability, align decision-making with sustainability goals, and actively engage with stakeholders in real-time. Let's discuss some critical emerging trends that are shaping the new corporate governance.

AI-Powered Corporate Governance the Role of Algorithmic Decision Making: Artificial Intelligence (AI) is changing the dynamics of every business, it is also revolutionizing corporate governance by automating compliance, improving transparency, and predicting risks before they escalate. Decision-making that is driven by artificial intelligence enables businesses to evaluate

governance challenges with improved accuracy, ensuring a proactive approach to risk management and stakeholder engagement.

- Artificial intelligence and big data analytics enhance corporate decision-making by improving governance transparency and accountability.
- AI-powered audits help detect fraud and compliance risks more effectively than traditional oversight methods.
- Predictive analytics anticipate Environmental, Social, and Governance (ESG) risks, allowing businesses to implement timely solutions.
- Stakeholder sentiment analysis enables companies to track public opinion and adapt governance strategies accordingly.

AI has a lot of advantages but at the same time in governance, it raises ethical concerns, especially related to data privacy, algorithmic bias, and reduced human accountability. Transparency is the most important factor in AI-driven governance for maintaining stakeholder trust. AI governance frameworks must incorporate ethical guidelines to ensure fairness, accountability, and inclusivity in stakeholder decision-making processes.

ESG and Sustainability-Linked Financing-Governance Beyond Profitability: Through ESG-linked financing, financial markets are aligning their corporate governance with sustainability. Companies have introduced sustainability-based targets in their structures by integrating ESG performance into executive compensation.

- Sustainability reporting fosters governance by increasing transparency and signaling long-term commitment (Cheng et al., 2014).
- Green bonds and sustainability-linked loans have been introduced to reward businesses that meet carbon reduction, diversity, and ethical supply chain targets.
- Financial institutions such as BlackRock and Institutional Shareholder Services (ISS) are influencing corporate governance changes through ESG activism. Investor activism forces corporations to rethink governance policies, often leading to board diversity reforms, executive pay adjustments, and heightened ESG reporting standards (Fernandez-Feijoo et al., 2014).
- To reinforce long-term sustainability in corporate governance, Banks and asset managers have made it mandatory to present ESG disclosures in lending agreements.

It demonstrates that the governance has shifted from increasing shareholder returns to long-term sustainability, corporate responsibility, and stakeholder impact.

Social Media & Rise of Stakeholder Activism: Digital platforms have made corporate governance more dynamic and transparent. It has also amplified stakeholder influence as the activism on social media holds companies accountable in real time forcing them to acknowledge swiftly to public concerns.

- Stakeholder engagement in governance ensures that corporations align their actions with broader societal expectations (Cheng et al., 2014).

- Viral campaigns such as #MeToo, #BoycottAmazon, and #ExxonKnew have pressured companies into changing governance policies related to labor rights, sustainability, and corporate ethics.
- Rapid public scrutiny of social media has led to leadership changes, governance reforms, and enhanced ESG commitments.

Social media-driven governance models challenge traditional top-down decision-making governance models, companies that fail to engage transparently with social activism suffer reputational damage and loss of stakeholder trust. The participatory inclusion of stakeholders in sustainability assessments builds trust and legitimacy, ensuring corporate governance aligns with evolving societal expectations (Barcellos de Paula & Gil-Lafuente, 2021).

Blockchain and Digital Governance; Enhancing Transparency and Accountability: Blockchain technology is evolving to be an important tool for improving governance transparency and reducing information asymmetry. Decentralized ledger technologies (DTLs) ensure accountability in corporate decision-making.

- Blockchain technologies reduce information asymmetry and increase governance credibility, particularly in CSR reporting and financial transparency (Casino, Dasaklis, & Patsakis, 2019).
- Smart contracts automate compliance, ensuring businesses adhere to regulatory and ethical guidelines.
- Blockchain enhances governance by providing immutable sustainability disclosures, financial transactions, and shareholder agreement records.

Businesses can enhance stakeholder trust by leveraging blockchain technology and strengthening ethical and transparent governance practices.

Ethical AI Governance and Data Privacy Compliance: As companies integrate AI and big data into governance models, regulatory bodies are implementing stricter guidelines to protect stakeholders from unethical AI practices. Data privacy concerns, algorithmic bias, and AI-driven discrimination are becoming key governance issues.

- Regulations focusing on ethical AI and consumer data protection are reshaping governance strategies, ensuring businesses comply with evolving stakeholder expectations (Boadi et al., 2019).
- Compliance with laws such as the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) is now a fundamental part of corporate governance.
- AI decision-making must be transparent, explainable, and free from biases that could disadvantage specific groups.

Businesses that fail to address ethical AI governance risk regulatory penalties and loss of stakeholder confidence. Establishing clear ethical frameworks for AI-driven decision-making is crucial in maintaining trust.

Inclusive Governance: Expanding Stakeholder Representation: Governance models are shifting from shareholder primacy to stakeholder inclusivity. Companies are integrating diverse voices into governance structures to ensure ethical leadership and sustainable decision-making.

- Board diversity has been linked to improved governance quality, stronger ethical oversight, and enhanced corporate social responsibility outcomes (Arena et al., 2020).
- Employee representation on corporate boards enhances governance effectiveness and prevents opportunistic managerial behavior. "Network governance models, like that of Eroski, demonstrate a system where stakeholder engagement ensures sustainable practices and prevents opportunistic managerial behavior" (Manetti & Toccafondi, 2012).
- Companies with gender and ethnic diversity in leadership report stronger governance outcomes and greater innovation.

By adopting inclusive governance frameworks, businesses can strengthen stakeholder relationships, drive ethical decision-making, and remain resilient in an increasingly interconnected world.

The future of corporate governance will be shaped by digital transformation, ESG accountability, ethical AI deployment, and stakeholder engagement. Companies that proactively adapt to these changes will build stronger trust with stakeholders, enhance long-term sustainability, and maintain a competitive advantage.

To thrive in this evolving landscape, businesses must: Adopt transparent, tech-driven governance models, strengthen ESG commitments to align with stakeholder expectations, ensure AI and data privacy governance meet ethical standards, and create inclusive governance structures that amplify diverse stakeholder voices.

Corporate governance is no longer confined to boardrooms it is an evolving, dynamic process influenced by technology, sustainability, and real-time stakeholder engagement. Companies that embrace these emerging trends will lead the way toward a more responsible, transparent, and sustainable future.

Fig 2.11- Source (personal elaboration of author)



2.12. Gaps in Literature

Despite extensive research on stakeholder influence in corporate governance, several critical gaps remain unaddressed. While existing literature has explored stakeholder engagement in governance structures, corporate sustainability strategies, and the role of ESG frameworks, there are still significant theoretical, empirical, and methodological gaps that require further investigation.

Lack of Empirical Evidence on Stakeholder Influence in Governance Models

Identified Gap: Most studies on corporate governance emphasize theoretical stakeholder engagement frameworks (Manetti & Toccafondi, 2012) but lack empirical validation of stakeholder influence across different governance models. While some research explores cooperative governance systems (e.g., Eroski's network model), little work has examined how stakeholder engagement translates into actual governance decision-making effectiveness across industries (Manetti & Toccafondi, 2012).

This gap matters because the effectiveness of governance models varies by industry, region, and corporate structure, yet the practical application of stakeholder theories remains underexplored. There is limited comparative analysis between capitalist and stakeholder-focused governance models, making it difficult to assess the true impact of stakeholder engagement.

Gaps in Standardizing ESG and Stakeholder Reporting Metrics

Identified Gap: While ESG frameworks (e.g., GRI, SASB, SDGs) are widely adopted, there is no globally standardized governance reporting mechanism (Cheng, Ioannou, & Serafeim, 2014). Different industries use inconsistent sustainability metrics, making it difficult to assess the real impact of stakeholder engagement on corporate decision-making.

This gap matters because Studies indicate that ESG reporting varies widely by region, with some firms engaging in greenwashing rather than genuine sustainability efforts Marquis & Toffel (2012, as cited in Vollero, 2016). There is a disconnect between stakeholder expectations and corporate

sustainability disclosures, creating ambiguities in governance performance assessments (Xie et al., 2018).

Insufficient Research on Stakeholder Influence in Emerging Markets

Identified Gap: Most governance and stakeholder research focus on Western economies (e.g., the U.S., and Europe), while emerging economies remain underrepresented (Kolk & Lenfant, 2013). Governance structures in Africa, Asia, and Latin America operate in different regulatory, economic, and cultural contexts, affecting how stakeholders engage with firms.

This gap matters because many emerging market corporations face weak governance regulations and high stakeholder power imbalances, making governance strategies different from those in developed nations. Studies rarely differentiate between institutional governance constraints in emerging economies and governance systems in Western corporations (Ite (2004, as cited in Kolk & Lenfant, 2013).

Lack of Analysis on Digital Stakeholder Activism and Social Media Influence in Governance

Identified Gap: Corporate governance studies focus heavily on traditional stakeholder engagement mechanisms (e.g., shareholder activism, regulatory oversight), while digital stakeholder activism via social media remains largely unexplored. Recent campaigns such as #MeToo and #ExxonKnew demonstrate how digital platforms amplify stakeholder influence, but there is limited academic research on their governance impact (Vollero, 2016).

This gap matters because social media accelerates corporate accountability by increasing public scrutiny, yet firms struggle to integrate digital stakeholder engagement into governance structures. There is limited empirical research on how digital movements translate into real governance reforms.

Theoretical Gaps in the Evolution of Stakeholder Influence Models

Identified Gap: Governance research relies on static stakeholder models (e.g., Mitchell et al.'s Power-Legitimacy-Urgency Framework, 1997), but these models fail to capture the dynamic evolution of stakeholder relationships over time.

This gap matters Stakeholder influence is not static NGOs, regulatory bodies, and investors change their priorities and influence tactics over time. There is a need for dynamic governance models that incorporate longitudinal stakeholder engagement perspectives.

Chapter 3

Chapter 3: Research Methodology

3.1. Introduction

Stakeholder engagement profoundly influences corporate governance and sustainability. It also explains how businesses operate, respond to external pressures, and implement ethical decision-making. A structured and transparent research approach is required to understand these business dynamics and to ensure that these findings are both credible and applicable. This chapter highlights the research methodology in this research to examine the stakeholder influence on corporate governance, data collection method, and analysis techniques.

3.2 Data Collection Methods

In this section, we will discuss a detailed procedure for data collection, the criteria for selecting academic articles and case studies, and the systematic procedure followed to ensure the relevance, reliability, and credibility of data. This research is based on secondary data.

3.2.1 Source of Data

The Scopus database is used to extract academic articles and case studies. Academic articles are selected from peer-reviewed journals focusing on corporate governance, ESG, and stakeholder engagement. Case studies were selected across various industries that illustrate the governance successes, failures, and stakeholder-driven reforms. Every case study was evaluated to understand how companies respond to stakeholder pressures and regulatory requirements.

To ensure the relevance of academic articles and case studies, well-defined criteria are applied. Only those academic articles and case studies were selected:

- Academic articles that explicitly discuss corporate governance, stakeholder engagement, or ESG implementations.
- Case studies that focus on industry-wide governance challenges, reforms, and regulatory compliance.
- All the selected documents were published within the last 12 years.

3.2.2 Scopus Search Strategy

The data Scopus is used to extract the academic articles and case studies. The main words of the search query are:

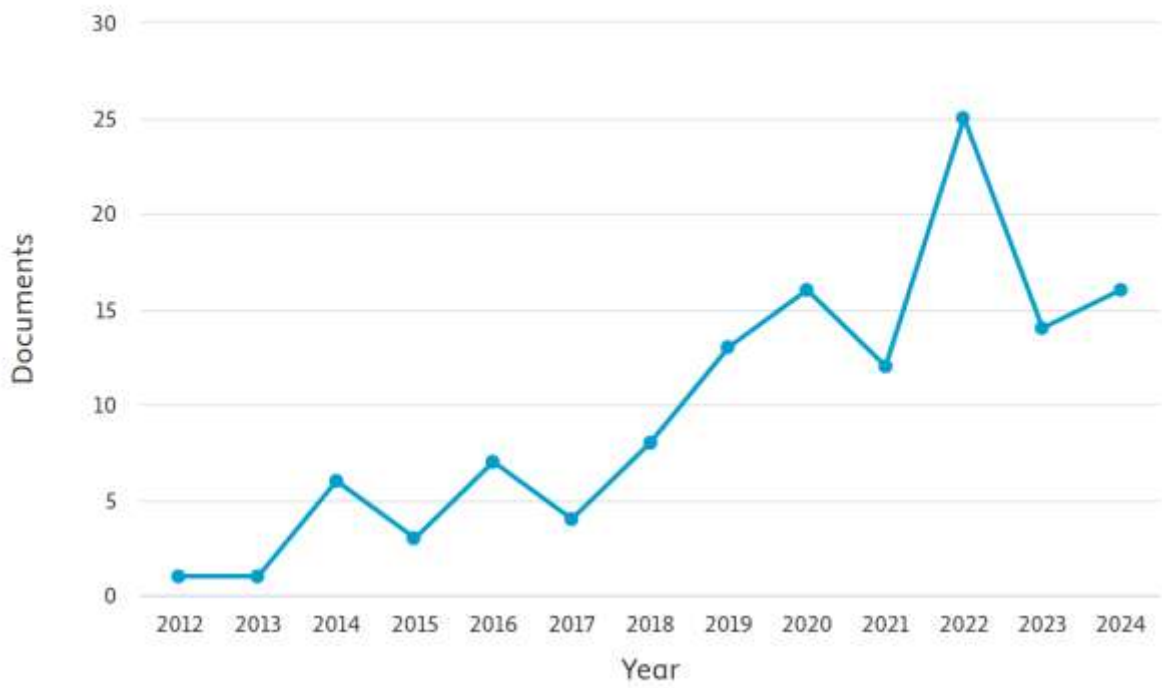
- Corporate AND Governance
- Corporate AND Accountability
- Corporate AND Ethics
- Stakeholders AND Engagement
- Stakeholders AND Influence
- Stakeholders AND Management

After searching for this query academic articles and case studies are only selected from areas of:

- Business, Management and Accounting
- Economics, Econometrics and Finance
- Environmental Sciences
- Social Sciences
- Multidisciplinary

Fig 3.1- Source (Scopus database)

Documents by year

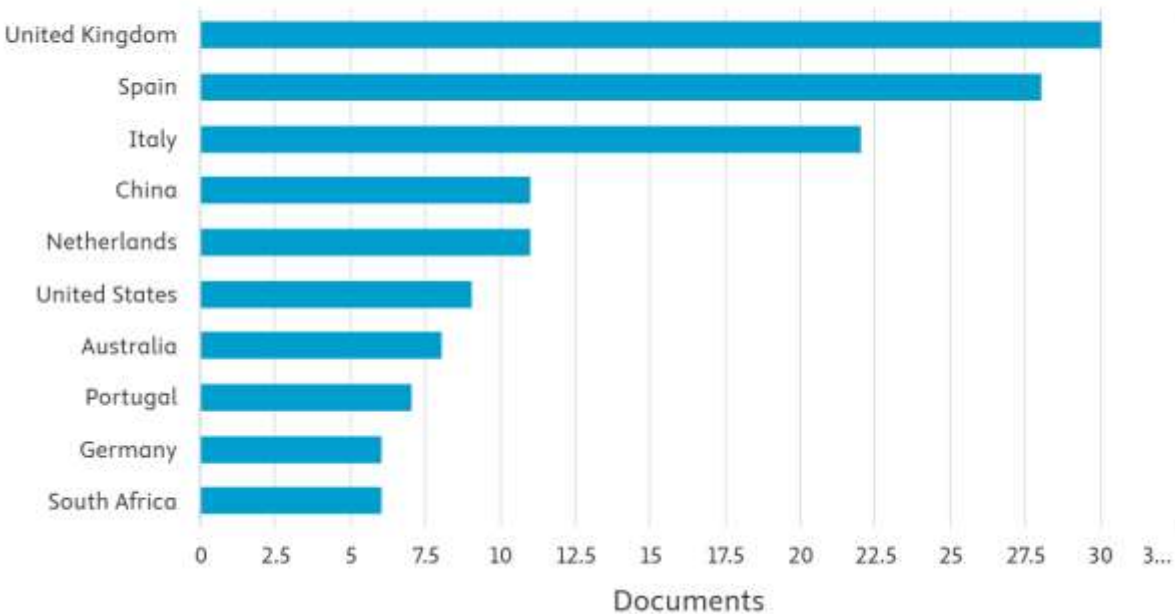


These documents have been published in various regions and countries

Fig 3.2- Source (Scopus database)

Documents by country or territory

Compare the document counts for up to 15 countries/territories.



After applying all the filters 126 documents showed up out of which 48 documents were selected. Documents are selected based on our research objective, these 48 documents, including 19 case studies, talk about the direct involvement of stakeholders in influencing governance framework or decision-making.

3.3. Research Design

3.3.1. Type of Research

A qualitative approach is used to explore how stakeholders influence corporate governance and sustainability strategies. The governance structure involves decision-making dynamics, power relations, and regulatory compliance, a statistical or numerical approach cannot capture the depth of these interactions. This research will focus on contextual understanding, interpretation, and pattern recognition within academic articles and case studies. Two primary research methods will be implemented while conducting this research:

- **Content Analysis:** To systematically examine corporate governance disclosures, sustainability reports, and ESG governance frameworks, to identify common governance strategies and stakeholder influence patterns.
- **Comparative Case Study Analysis:** Multiple case studies across industries will be compared to highlight governance trends, regulatory compliance levels, and stakeholder engagement practices.

3.2.2 Justification for Qualitative Approach

A qualitative approach will be used in this research because this study requires an in-depth interpretative analysis of governance structures, decision-making processes, and corporate accountability rather than numerical measurements.

Table 3.1

Factor	Why Qualitative Study?	Why Not a Quantitative Study?
Nature of Data	Governance disclosures and stakeholder strategies involve subjective narratives.	Governance effectiveness is not purely measurable in numbers
Focus of Study	Understanding governance dynamics and decision-making processes.	Statistical analysis would overlook governance motivation and ethical considerations.
Outcome of Research	Identifying patterns, governance trends, and thematic insights.	Numerical data alone can't explain the stakeholder influence mechanisms.

There are multiple reasons why the qualitative approach suits corporate governance research:

- **Governance is Context-Dependent:** Corporate governance frameworks differ across countries, industries, and regulatory environments, a qualitative approach allows contextual comparisons.
- **Stakeholder Influence is Not Measurable by Numbers Alone:** Power struggles, corporate ethics, and decision-making transparency require text-based analysis rather than statistical modeling.
- **Regulatory and Ethical Considerations are Narrative-Based:** ESG compliance, governance failures, and corporate ethics emerge from policies, reports, and disclosures, making qualitative analysis more appropriate.

4. Limitations of Methodology

There are some limitations of this research, these limitations are discussed below,

1. **Dependence on Secondary Data**
 - As no interviews or surveys were conducted, so this research solely lies on secondary data which may limit direct stakeholder perspectives.
2. **Challenges in Generalizability**
 - Governance structures vary across industries, countries, and regulatory environments but a comparative case study approach will be used to underline common trends and sector-specific differences.

Chapter 4: Content Analysis

4.1 Introduction to Content Analysis

Neuendorf (2017) has defined content analysis as a systematic research technique in qualitative research that identifies themes, patterns, and meanings in large volumes of data to analyze textual, visual, and communicative data. While doing content analysis researchers go through tons of data to look for specific words, those keywords might not seem helpful in the beginning but as they conclude their analysis, researchers end up with actual useful information and ideas that are helpful. Cheng, Ioannou, and Serafeim (2014) have identified two approaches to content analysis. Quantitative content analyses identify the patterns, frequency of text, and sentiments within large volumes of data with the help of statistical tools. Qualitative content analysis focuses more on the words to understand the deeper meaning and to identify themes within the data.

Krippendorff (2018) has identified in the research that the method of content analysis has been widely adopted in the fields of corporate governance, political science, and public relations, governance strategies in all these fields are influenced by the stakeholders so content analysis is an effective tool to identify the themes and patterns on how stakeholders influence decision-making of corporations.

4.1.1 Relevance and Benefits of Content Analysis

Content analysis is deeply relevant while researching corporate governance and sustainability as both, sustainability and corporate governance, rely heavily on large amounts of data due to corporate disclosures about governance policies and their interaction with stakeholders. Content analysis helps in identifying the specific themes within the data to make a structured framework that helps in analyzing how different stakeholders influence corporate governance. In terms of corporate sustainability content analysis:

- Asses the influence of NGOs, regulators, and institutional investors on corporate decision-making.
- Identify emerging patterns of engagement and governance across industries.
- Assess the disclosure of sustainability initiatives by the firms in their corporate social responsibility (CSR) reports.

Content analysis offers some benefits while studying corporate governance and sustainability:

- Neuendorf (2017), explains content analysis as a systematic and reproducible structured approach, a rule-based methodology that makes it transparent and replicable for other researchers.
- (Cheng, Ioannou, and Serafeim, 2014) The method allows for thematic coding, helping researchers categorize stakeholder influence patterns in corporate governance.
- (Goodman & Arenas, 2015) Content analysis can track “shifts in governance trends over time, identifying long-term changes in stakeholder engagement practices”.

- It serves as a bridge between theory and practice, (Parsons & Moffat, 2014) analyzing real-world case studies and company reports, content analysis validates stakeholder theories and governance models.

4.1.2 Justification for Using Content Analysis in Our Study

Content analysis has some advantages over other qualitative research methods, as this research aims to map stakeholder influence on corporate governance by analyzing academic literature and case studies, so content analysis enables a systematic review of corporate disclosures without being limited by self-reporting biases or sample constraints (Parsons & Moffat, 2014). According to Font, Guix, & Bonilla-Prigeo (2016), content analysis provides an objective way to analyze corporate strategies and governance mechanisms.

However, Goodman & Arenas (2015), argued that content analysis is not without limitations, one key issue is the potential for bias in coding and interpreting textual data. To prevent this risk, “inter-coder reliability strategies, such as multiple coders and cross-validation techniques, were employed to ensure consistency in the coding process” (Mzembe, Lindgreen, Maon, & Vanhamme, 2016).

By using content analysis this research will methodologically decode the role of various stakeholders such as NGOs, investors, consumers, and governments in corporate governance decisions. Font, Guix, & Bonilla-Priego's (2016) research has explored that previous research has demonstrated that content analysis is extremely effective in identifying stakeholder power dynamics and sustainability reporting strategies.

Several qualitative techniques are available to study stakeholder influence, but content analysis has a unique advantage over the other methods.

Table 4.1

Research Methods	Strengths	Weaknesses
Interviews	Provide first-hand insight from stakeholders	Limited by small sample size and bias in self-reporting
Surveys	Captures quantifiable stakeholder opinion	May not fully explore complex governance dynamic
Case Studies	Offers deep contextual understanding	Findings are not always generalizable
Content Analysis	Extract's themes from large datasets, allowing for pattern recognition and longitudinal analysis	Can be subjective if coding is not systematically applied

Since this study requires analyzing multiple academic articles and case studies, content analysis offers a robust and scalable method to investigate stakeholder influence in corporate sustainability. Some key strengths of using content analysis for analyzing stakeholder influence are as follows:

- Capturing Stakeholder Narrative: Castelló, Etter, and Nielsen (2016) argue that many governance decisions are communicated through reports, media, statements, and

sustainability disclosures. Content analysis decodes these narratives to uncover hidden stakeholder pressure.

- **Empirical Validation of Theories:** (Manetti & Bellucci, 2016) state that content analysis allows for testing governance and stakeholder theories using real-world case studies, ensuring that academic models align with corporate realities.
- **Integration of Multiple Data Sources:** Content analysis provides a comprehensive view of stakeholder engagement by analyzing corporate disclosures, NGO reports, regulatory filings, and investor communications (Aguilera-Caracul & Guerrero-Villegas, 2018).

4.1.3 Methodological Approach for Content Analysis

Selection Criteria for Articles and Case Studies

Only those articles and case studies have been selected that meet the following criteria:

- **Stakeholder-centric:** Analyzes the influence of stakeholders on corporate governance.
- **Relevance:** Focus on corporate governance and sustainability
- **Diverse Data Sources:** Data includes academic articles and case studies.

To ensure a robust analysis, case studies were selected based on the intensity of stakeholder engagement, governance structures, and industry variation. For example, (Mzembe & Meaton, 2013) the mining sector was chosen due to the high involvement of NGOs and regulatory bodies, whereas the finance sector was examined due to investor-driven governance strategies. De Villiers, Rouse, & Kerr (2016) studied the integration of sustainability reporting within a management control system, providing a practical governance framework for stakeholder engagement.

Data Collection and Thematic Coding Process

The thematic coding process is carried out through manual coding and automated textual analysis, categorizing stakeholder influence into engagement models, governance changes, and corporate sustainability strategies (Aguilera-Caracuel & Guerrero-Villegas, 2018). “Key governance indicators, such as compliance-driven proactive sustainability measures, were extracted to establish trends across different industries” (De Villiers, Rouse, & Kerr, 2016).

The systematic thematic coding approach includes,

- **Text Extraction:** Extracting the data from academic articles and case studies.
- **Coding Framework:** Creating categories for analyzing stakeholder impact.
- **Pattern Identification:** Recognition of recurring governance themes across industries.

Challenges of Content Analysis

Content Analysis is an effective technique, but it also has some challenges of its own,

- **Contextual Complexity:** Stakeholders have multi-dimensional interaction that requires careful thematic categorization.
- **Data Issues:** Some corporate disclosures lack transparency and create complications for in-depth analysis.

Even though these challenges pertain, content analysis is still a powerful tool to analyze stakeholder's influence on corporate sustainability and governance.

4.2 Thematic Coding & Results

This section highlights key themes and findings derived from the content analysis of corporate governance and sustainability studies. Thematic coding is used to identify recurring patterns of stakeholder influence that allow for a structured understanding of how various stakeholders such as investors, NGOs, employees, financial institutions, and regulators influence corporate governance strategies.

Three major themes are extracted from the analysis:

- Stakeholder Involvement in Corporate Governance
- Corporate Responses to Stakeholders
- Stakeholders as drivers of Corporate Sustainability

The thematic coding approach was used to categorize findings across academic articles and case studies, helping to establish a comprehensive stakeholder governance framework.

4.2.1 Theme 1: Stakeholder Involvement in Corporate Governance

Kolk & Lenfant (2013) discussed that corporate governance is inherently stakeholder-driven which means that decision-making is influenced by various actors, including investors, regulators, NGOs, employees, and consumers. These stakeholders pressurize firms to adopt sustainable governance policies, enhance transparency, and improve corporate accountability.

According to Manetti & Toccafondi (2012), stakeholder engagement models play a crucial role in corporate governance e.g. participatory governance models, such as Eroski's multi-tiered governance framework, allow for direct stakeholder representation in decision-making processes. This enhances transparency and ethical accountability.

4.2.1.1 Identify Key Stakeholders in Corporate Governance

Stakeholders play an important role in shaping corporate governance structures. The main stakeholders in corporate governance include:

Table 4.2.

Stakeholders	Role in Corporate Governance	Influencing Mechanism
Investors & Shareholders	Ensure financial stability and demand ESG compliance	Proxy voting, engagement in governance reforms
Employees	Advocate for fair labor policies and corporate social responsibility	Collective bargaining, whistleblowing
NGOs & Civil Society	Hold corporations accountable for sustainability and ethics	Activism, regulatory lobbying, consumer awareness campaigns
Regulators & Governments	Establish corporate governance laws and sustainability policies	Legislative frameworks, reporting mandates
Consumers	Demand ethical sourcing, transparency, and responsible business practices	Market-based influence, consumer boycotts

Example:

In the mining sector, NGOs have pressured corporations like AngloGold Ashanti to adopt conflict-sensitive CSR practices. This demonstrates how external civil society groups shape corporate sustainability decisions. (Mzembe & Meaton, 2013).

4.2.1.2 Participatory Governance Model

Certain organizations adopt participatory governance structures, where multiple stakeholders actively contribute to decision-making processes. Network governance models, such as multi-tiered stakeholder governance, help corporations integrate ethical considerations and social responsibility into corporate strategies (Manetti & Toccafondi, 2012).

Case Study: Eroski's Stakeholder Governance Model

Eroski, a Spanish retail cooperative, employs a multi-tiered governance structure where:

- Workers, consumers, and social groups participate in board-level decision-making.
- Advisory councils ensure stakeholder representation in corporate policies.
- This model prevents managerial opportunism and promotes ethical decision-making.

Findings:

- The participatory governance model aligns corporate actions with stakeholder expectations, leading to stronger sustainability commitments.
- Companies with high stakeholder participation tend to have lower incidences of ethical misconduct.

4.2.1.3 The Role of NGOs in Stakeholder Engagement

NGOs play a dual role in corporate governance:

- Watchdogs: They expose unethical corporate behavior (Greenpeace's campaigns against deforestation in the palm oil industry).
- Partners: They collaborate with corporations to enhance sustainability policies (The De Beers Diamond Development Initiative).

Sectoral Examples

- Mining Industry: NGOs push for ethical sourcing and fair labor practices (Mzembe & Meaton, 2013).
- Finance Sector: NGOs advocate for responsible investment standards (Cheng, Ioannou, & Serafeim, 2014).

4.2.1.4 Stakeholder-Driven Accreditation in Governance

Accreditation agencies influence governance by enforcing sustainability and ethical business standards. Business schools, for instance, are required to integrate stakeholder concerns into their accreditation process.

Examples:

- EQUIS & AACSB accreditation mandates business schools to incorporate sustainability and ethics into curricula.
- This external pressure forces institutions to align corporate education with social responsibility principles. (Cooper, Parkes, & Blewitt, 2014).

4.2.1.5 Cross-Industry Comparison of Stakeholder Influence

Stakeholder influence varies across industries, depending on regulatory environments, market forces, and corporate priorities. The effectiveness of participatory governance models depends on the industry-specific power dynamics among shareholders, consumers, regulators, and civil society.

Table 4.3

Industry	Dominant Stakeholders	Key Influence Mechanism	Common Corporate Response
Finance	Investors, Regulators & ESG Funds	Investment decisions, stakeholder resolution	ESG disclosure, impact investing
Energy & Mining	NGOs, Governments, Local Communities	Regulatory Pressure, protests, media campaigns	CSR partnerships, impact assessment
Retail & Manufacturing	Consumers, NGOs, Media	Ethical sourcing demands, product boycott	Sustainable supply chains, eco-labeling
Technology	Governments, Data Privacy Advocates	Regulatory scrutiny, ethical AI policies	Transparency policies, cybersecurity investments
Education & Business School	Accreditation Bodies, Students	Institutional rankings, program accreditation	Sustainability curricula, faculty engagement

These comparisons underline that stakeholder power is not uniform across industries, requiring sector-specific governance adaptation to ensure sustainable corporate behavior.

4.2.2 Theme 2: Stakeholders as Drivers of Corporate Sustainability

Corporate sustainability is driven by regulations, financial institutions, NGOs, and market forces. Content analysis revealed that corporations adopt sustainability initiatives in response to external stakeholder pressures. Financial institutions increasingly shape corporate sustainability through ESG-linked financing and investment pressures. For instance, firms with strong ESG performance tend to secure lower capital costs and attract impact-driven investors (Cheng et al., 2014). NGOs, such as Greenpeace, have also played a role in influencing sustainability efforts by exposing unethical corporate practices, and compelling firms to adopt responsible business strategies (Font, Guix, & Bonilla-Priego, 2016).

4.2.2.1 Regulatory Influence on Sustainability

Governments use mandatory reporting directives to enforce corporate sustainability.

Example: EU Non-Financial Reporting Directive

- Requires large corporations to disclose ESG performance.
- Companies failing to meet sustainability standards face financial penalties.

Findings:

- Regulatory frameworks increase corporate transparency in ESG practices (Cheng et al., 2014).
- However, compliance varies across industries, with some sectors using minimal adherence strategies.

4.2.2.2 Financial Institution and Sustainability Reporting

Investors and banks require corporate ESG disclosures to manage financial risks.

Findings:

- Firms with strong ESG ratings attract lower capital costs and better credit ratings (Cheng et al., 2014)
- Sustainability-linked financing is on the rise, pushing corporations toward responsible business practices.

4.2.2.3 The Impact of NGOs and Civil Society

NGOs pressure corporations into sustainability commitments through activism and regulatory lobbying.

Case Study:

- Kolk & Lenfant (2013) analyzed NGOs in Central Africa, showing how activist groups forced multinational corporations to adopt conflict-sensitive CSR policies.

4.2.2.4 Greenwashing Risks in Corporate Sustainability

Some companies engage in greenwashing, misleading consumers about sustainability efforts.

Example:

- The cruise industry exaggerates CSR claims, but actual environmental sustainability practices remain minimal (Font, Guix, & Bonilla-Priego, 2016).

4.2.3 Theme 3: Corporate Responses to Stakeholder Influence

Corporations often adopt either compliance-based or proactive approaches to sustainability. For example, the mining sector has historically followed compliance-driven sustainability due to regulatory mandates, whereas firms like Unilever have embedded sustainability as a core business strategy (Mzembe et al., 2016). Additionally, the rise of digital activism has intensified corporate accountability, forcing companies to address stakeholder concerns more transparently (Cheng et al., 2014).

4.2.3.1 Compliance-Based Approaches to Sustainability

Companies adopt CSR only to meet minimum legal standards.

Example:

- Mining companies in developing countries follow basic environmental laws but resist voluntary sustainability commitments (Mzembe et al., 2016).

4.2.3.2 Proactive Sustainability Strategies

Some firms integrate sustainability into core business models.

Case Studies:

- Unilever's Sustainable Living Plan incorporates long-term environmental and social goals.
- Patagonia's ethical supply chain model prioritizes sustainability as a business driver.

4.2.3.3 Stakeholder Collaboration for Sustainable Initiatives

Corporations collaborate with NGOs to implement sustainability programs.

Example:

- Chevron's Angola Partnership Initiative improved social and economic conditions in oil-producing regions.

4.2.3.4 The Role of Corporate Governance in Sustainability

Board structures influence CSR adoption.

Findings:

- Firms with sustainability-focused board committees integrate CSR more effectively.
- Governance mechanisms such as stakeholder advisory boards ensure accountability.

4.2.3.5 When Stakeholder Influence Fails: Cases of Resistance & Non-Compliance

While stakeholder engagement is often framed as a driver of corporate sustainability, some organizations actively resist stakeholder demands, leading to superficial compliance or even greenwashing.

Examples of Stakeholder Resistance & Corporate Non-Compliance:

1. **Volkswagen Emissions Scandal (2015):** Despite regulatory mandates for emission reductions, VW manipulated emissions data to appear compliant while continuing to pollute. This case highlights regulatory loopholes that allow corporations to resist genuine sustainability efforts.
2. **Shell & Niger Delta Environmental Controversies:** Despite years of NGO activism and local community pressure, Shell delayed environmental clean-ups and faced lawsuits for oil spills. This case illustrates corporate deflection strategies where legal settlements replace real sustainability efforts.
3. **Fashion Industry Greenwashing (H&M Conscious Collection):** Brands like H&M and Zara promote "eco-friendly" clothing lines while continuing fast-fashion production. This example demonstrates a misalignment between public CSR commitments and actual business models.

Stakeholder engagement does not always lead to sustainable corporate change. Some firms engage in symbolic compliance while avoiding structural reforms. This calls for more stringent

accountability measures through independent audits, stricter regulation, and consumer awareness initiatives.

Table 4.4. Thematic Table Summary

Themes	Key Findings
Stakeholder Involvement in Corporate Governance	Participatory governance models enhance transparency, NGOs act as watchdogs and partners
Stakeholders as Drivers of Corporate Sustainability	Regulatory policies enforce ESG compliance. NGOs pressure firms to adopt sustainability practices.
Corporate Responses to Stakeholder Influence	Some firms adopt compliance-based CSR, while others integrate sustainability into business strategy

4.3 Discussion of Patterns

This section discusses the recurring patterns observed across the analyzed case studies and academic literature, revealing how stakeholders influence corporate governance and sustainability strategies. The findings suggest that corporate sustainability is not solely an internal initiative but often a response to external pressures from investors, governments, NGOs, and consumers.

The thematic analysis highlights five major patterns:

- Stakeholder Pressure as a Catalyst for Corporate Change
- Industry-Specific Governance Structures
- The Role of Financial Motivations in Sustainability Adoption
- Risks of Greenwashing in Stakeholder Engagement
- The Importance of Multi-Stakeholder Collaboration

Each pattern is discussed below, supported by case study examples and academic references.

4.3.1 Pattern 1: Stakeholder Pressure as a Catalyst for Corporate Change

Stakeholders are the primary drivers of corporate sustainability, often forcing firms to adopt ethical practices that they may not have otherwise prioritized. Content analysis reveals that corporate change is frequently reactive rather than proactive, driven by external demands from investors, regulators, and civil society.

Stakeholder Influence on Corporate Sustainability

- Investors pressure corporations to comply with ESG (Environmental, Social, and Governance) principles to reduce financial risks (Cheng, Ioannou, & Serafeim, 2014).
- NGOs and advocacy groups expose corporate malpractices, compelling firms to adopt more sustainable practices (Kolk & Lenfant, 2013).
- Consumers demand ethical sourcing, forcing brands to adopt transparent supply chain policies (Font, Guix, & Bonilla-Priego, 2016).
- Regulators enforce sustainability compliance through mandatory reporting frameworks such as the EU Non-Financial Reporting Directive (Caritte, Acha, & Shah, 2015).

Table 4.5. Example of Industry-Specific Stakeholder Influence

Industry	Example of Stakeholder Pressure	Corporate Response
Mining	NGOs pressured AngloGold Ashanti to adopt conflict-free mineral sourcing (Mzembe & Meaton, 2013).	Adoption of transparent mining regulations.
Retail	Consumers boycotted unethical brands, leading to sustainable fashion initiatives (H&M Conscious Collection).	Shift to eco-friendly textiles and ethical labor policies.
Finance	ESG-focused investors are divested from firms with poor sustainability records (Dhaliwal et al., 2011).	Increased corporate ESG reporting.

These examples demonstrate that stakeholder pressure leads to corporate change, even when companies are initially resistant to sustainability commitments.

4.3.2 Pattern 2: Industry-Specific Governance Structures

Different industries adopt varying governance models, influenced by stakeholder expectations, regulatory frameworks, and operational needs. Some governance models are more effective in certain industries than others, depending on the complexity of stakeholder interactions.

Table 4.6. Comparing Governance Models Across Industries

Industry	Preferred Governance Model	Effectiveness
Energy (Oil & Gas)	Compliance-based model due to strict environmental regulations (Chevron’s Angola Partnership Initiative)	Effective in high-risk regulatory environments but lacks stakeholder inclusivity.
Finance	Shareholder-driven governance focusing on investor interests (Banking sector ESG frameworks)	Encourages financial responsibility but may overlook social sustainability.
Education	Accreditation-driven governance where schools align with stakeholder expectations (EQUIS and AACSB accreditation)	Ensures ethical education but can be reactive rather than proactive.
Manufacturing	Participatory governance models incorporating supplier, worker, and consumer feedback (Fair Trade supply chains)	Effective in industries with high labor dependency.

Findings:

- Industries with strong regulatory oversight (energy, finance) tend to adopt compliance-based governance structures.
- Education and manufacturing sectors are more likely to integrate participatory governance models that engage multiple stakeholders.

4.3.3 Pattern 3: The Role of Financial Motivations in Sustainability Adoption

According to Cheng (2016), the role of financial incentives in corporate sustainability is becoming increasingly prominent. Research suggests that firms with robust ESG frameworks experience stronger investor confidence and better credit ratings, ESG-linked financial instruments, such as sustainability-linked loans, are now being used as leverage to push corporations toward sustainable practices.

The Link Between Sustainability and Financial Performance

- Companies with strong ESG ratings receive better credit ratings and lower capital costs.
- Socially responsible investors drive sustainability by prioritizing ESG-compliant businesses.
- Firms integrating sustainability into core strategies (e.g., Unilever, Patagonia) report long-term profitability gains (Cheng et al., 2014).

Example:

- Cheng, Ioannou, & Serafeim (2014) found that firms engaging in ESG initiatives experience fewer capital constraints and higher investor confidence.

Table 4.7. ESG and Corporate Sustainability

Financial Driver	Impact on Sustainability
Sustainability-linked loans	Encourages firms to meet ESG performance targets.
ESG-focused investment funds	Pushes corporations to improve social and environmental disclosures.
Government subsidies for green energy	Drives transition toward renewable energy adoption.

This pattern indicates that financial incentives and risk management considerations significantly influence corporate sustainability decisions.

4.3.4 Pattern 4: Risks of Greenwashing in Stakeholder Engagement

While companies promote sustainability efforts, some engage in greenwashing, where they misrepresent or exaggerate their sustainability initiatives to appease stakeholders.

Case Studies of Greenwashing:

- **Cruise Industry:** Companies promote environmental responsibility while failing to report major pollution violations (Font, Guix, & Bonilla-Priego, 2016).
- **Fashion Industry:** Brands claim to use sustainable materials but continue to engage in fast-fashion production (H&M Conscious Collection case).
- **Oil & Gas Sector:** BP rebranded as "Beyond Petroleum", yet its investment in fossil fuels remained high (Caritte, Acha, & Shah, 2015).

Findings:

- Consumers and regulators increasingly detect and penalize greenwashing practices.
- Authentic sustainability requires measurable impact rather than mere PR campaigns.

4.3.5 Pattern 5: The Importance of Multi-Stakeholder Collaboration

Corporate sustainability efforts are most effective when multiple stakeholders collaborate, including governments, investors, and NGOs. For instance, the UN Principles for Responsible Investment (PRI) initiative has established a framework for sustainable investment practices, aligning investors and corporate governance structures (Goodman & Arenas, 2015).

Table 4.8. Examples of Multi-Stakeholder Governance Model

Sector	Examples of Stakeholder Collaboration	Impact
Mining	AngloGold Ashanti & NGOs worked on ethical mineral sourcing	Increased transparency in supply chains.
Finance	UN Principles for Responsible Investment (PRI) brought together investors and regulators	Standardized global ESG investment practices.
Energy	Chevron's Angola Partnership Initiative collaborated with governments and NGOs	Improved social infrastructure in oil regions.

Findings:

- Cross-sectoral collaboration enhances the effectiveness of corporate sustainability initiatives.
- Governments play a crucial role in setting regulatory baselines, while NGOs act as watchdogs ensuring accountability.

Table 4.9. Thematic Summary Table

Patterns	Key Insights
Stakeholder Pressure as a catalyst for change	External pressure (investors, NGOs, consumers) is the primary driver of corporate sustainability.
Industry-Specific Governance Structures	Governance models vary by industry, with participatory models working best in manufacturing and education.
Financial Motivations in Sustainability	Firms with strong ESG adoption perform better financially, securing lower capital costs.
Risks of Greenwashing	Many companies misrepresent sustainability efforts, leading to consumer backlash.
Multi-Stakeholder Collaboration	Governments, investors, and NGOs collectively enforce sustainability, ensuring corporate accountability.

4.4 Conclusion

This chapter explored the role of stakeholder influence in corporate governance and sustainability using content analysis of case studies, academic research, and industry reports. The thematic coding identified recurring patterns in stakeholder engagement, corporate responses, and

sustainability integration strategies. This section summarizes the key findings, discusses their theoretical and practical implications, and outlines the limitations and future research directions.

4.4.1 Summary of Key Findings

The findings from this study reinforce the critical role of stakeholders in shaping corporate governance and sustainability policies. Corporations often react to external pressures from investors, regulators, NGOs, and consumers, rather than proactively integrating sustainability into their business models.

Table 4.10. Key Thematic Insights

Themes	Findings
Stakeholder Influence on Corporate Governance	Investors, regulators, and NGOs play pivotal roles in shaping governance structures. Participatory governance models, such as Eroski’s stakeholder governance model, enhance transparency and accountability (Manetti & Toccafondi, 2012).
Stakeholders as Drivers of Corporate Sustainability	Government regulations (e.g., the EU Non-Financial Reporting Directive) and investor expectations for ESG compliance drive corporate sustainability initiatives (Cheng, Ioannou, & Serafeim, 2014).
Corporate Responses to Stakeholder Influence	Some firms adopt compliance-based sustainability due to regulatory mandates, while others integrate sustainability as a core business strategy (Unilever’s Sustainable Living Plan) (Cheng, 2016).
Risks of Greenwashing	Many corporations engage in superficial CSR efforts to appear sustainable without making substantial environmental or social impact (Font, Guix, & Bonilla-Priego, 2016).
The Role of Financial Motivation	Companies with strong ESG performance attract lower capital costs and greater investor trust (Dhaliwal et al., 2011).

These findings confirm that corporate sustainability is often externally driven, with stakeholder engagement acting as the primary catalyst for change.

4.4.2 Theoretical Implications

This research contributes to the corporate governance and sustainability literature by demonstrating how stakeholder influence aligns with major governance theories.

Stakeholder Theory

- Freeman’s (1984) Stakeholder Theory suggests that businesses should address the concerns of all stakeholders, not just shareholders.
- Findings confirm that companies responding to multiple stakeholder groups (e.g., investors, employees, NGOs) achieve stronger sustainability outcomes (Goodman & Arenas, 2015).

Agency Theory

- Conflicts between managers and stakeholders often arise when profit-driven executives resist sustainability efforts (Cheng et al., 2014).
- Firms with strong board governance structures are more likely to integrate stakeholder concerns into long-term business strategies (Parsons & Moffat, 2014).

This study validates these theories by demonstrating real-world stakeholder influence on corporate governance frameworks.

4.4.3 Practical Implications

The findings provide actionable insights for businesses, policymakers, and investors, emphasizing the need for stakeholder-driven governance.

Recommendations for Business

1. Enhance Stakeholder Participation in Decision-Making
 - Implement advisory boards comprising employees, consumers, and NGOs to ensure diverse representation (Manetti & Toccafondi, 2012).
2. Integrate ESG into Core Business Strategies
 - Firms should move beyond compliance-based sustainability and embed sustainability into corporate growth plans (Unilever, Patagonia).
3. Improve Transparency in CSR Reporting
 - Avoid greenwashing risks by aligning CSR communication with measurable, verifiable sustainability metrics (Caritte, Acha, & Shah, 2015).

Policy Recommendations

1. **Strengthen Sustainability Regulations**
 - Governments should mandate uniform sustainability reporting standards, similar to the EU Non-Financial Reporting Directive.
2. **Encourage Multi-Stakeholder Collaboration**
 - Policymakers should foster corporate-NGO partnerships to create shared sustainability goals (Chevron's Angola Partnership Initiative).

Recommendation for Investors

1. **Prioritize ESG-Linked Investment Decision**
 - Investors should demand greater ESG disclosure and integrate sustainability risks into financial analyses (Cheng et al., 2016).
2. **Support Companies with a Strong Governance Framework**
 - Firms with dedicated sustainability committees and stakeholder engagement mechanisms should be favored in investment portfolios (Aguilera-Caracuel & Guerrero-Villegas, 2018).

Implementing these recommendations can lead to stronger corporate sustainability practices and stakeholder-aligned governance models.

4.4.4 Limitations and Further Research Areas

Methodological Limitations of Content Analysis

While content analysis is a robust method for identifying patterns in corporate governance, it has certain limitations:

1. **Subjectivity in Thematic Coding**
 - Interpretation of text-based data can be influenced by researcher bias. Future studies should apply inter-coder reliability checks to enhance validity.
2. **Limited Generalizability**
 - Case studies focus on specific industries; results may not be universally applicable. Expanding research to different cultural and economic contexts would improve generalizability.
3. **Lack of Direct Stakeholder Input**
 - Content analysis relies on secondary data sources. Future studies should integrate interviews and surveys with key stakeholders to obtain first-hand perspectives on governance challenges.

Future Research Directions

1. **Examine Cross-Sectional Differences in Sustainability Influence**
 - Comparative studies should explore how stakeholder governance models vary across industries.
2. **Assess Longitudinal Trends in Sustainability Governance**
 - Analyzing how stakeholder influence evolves will provide deeper insights into corporate sustainability trajectories.
3. **Explore the Role of Emerging Technologies in Corporate Governance**
 - AI, blockchain, and big data are transforming corporate transparency, future studies should evaluate their impact on stakeholder engagement and sustainability governance.

By addressing these areas, future research can provide a more comprehensive understanding of corporate governance dynamics in an evolving business landscape.

Chapter 5

Stakeholder Mapping & Analysis

5.1 Introduction

Freeman (1984) explained the shift of corporate governance from a shareholder-centric to a stakeholder-inclusive model, traditional governance frameworks prioritized shareholder value maximization at the expense of stakeholders. Still, as the trends are shifting towards environmental, social, and governance (ESG) concerns, organizations are now recognizing the importance of multi-stakeholder governance in fostering long-term sustainability (Donaldson & Preston, 1995).

Stakeholder Mapping and Analysis is an important tool of corporate governance that corporations use to balance the interests of stakeholders such as investors, regulators, employees, consumers, and communities. Identification, categorization, and engagement with stakeholders is a strategic necessity for organizations to align their governance frameworks with sustainability objectives (Cheng, Ioannou, and Serafeim, 2014).

5.1.1 The Role of Stakeholder Mapping in Corporate Governance

Stakeholder mapping is a process that organizations use to systematically identify and classify stakeholders based on their power, interest, and influence in corporate governance. By stakeholder mapping, companies can:

- Identify key stakeholders that have the most significant influence over governance decisions.
- Evaluate the expectations and interests of different stakeholder groups.
- Design personalized engagement strategies to encourage collaboration and mitigate conflicts.
- Enhance governance transparency by making sure that all the relevant stakeholders are considered in decision-making.

5.1.2 Structure of Chapter

This chapter is structured into several sections:

1. **Identification of Key Stakeholders:** Stakeholder's categorization into primary, secondary, and emerging groups.
2. **Stakeholders Mapping & Power-Interest Matrix:** Applying Mendelow's model to classify stakeholders based on influence.
3. **Patterns of Stakeholder Influence:** Examining how stakeholders shape corporate governance through pressure, collaboration, and financial incentives.
4. **Stakeholder Engagement Strategies:** Analyzing best practices for effective stakeholder involvement.
5. **Conclusion & Recommendations:** Summarizing key insights and suggesting strategies for corporate leaders and policymakers.

5.2 Identifying Key Stakeholders

5.2.1 Defining Stakeholders in Corporate Governance

Freeman (1984) introduced the concept of stakeholders in corporate governance originates from Stakeholder Theory, which argues that businesses must consider the interests of all parties affected by corporate activities rather than prioritizing shareholders alone. Evan & Freeman (1988) defined stakeholders as any group or individual who can affect or is affected by the achievement of an organization's objectives.

In contrast to the agency theory of governance, which views managers as agents of shareholders, stakeholder theory posits that organizations owe responsibilities to a broader set of actors, including employees, customers, suppliers, communities, and regulatory bodies (Donaldson & Preston, 1995).

5.2.2 Categorization of Stakeholders

Stakeholders in corporate governance can be grouped into three broad categories based on their level of influence and directness of engagement:

5.2.2.1 Primary Stakeholders (Direct Influence)

These stakeholders have a direct impact on corporate decision-making and are integral to governance structures.

1. Investors & Shareholders

- Large institutional investors exercise control over governance policies by influencing board decisions and corporate sustainability commitments (Cheng, Ioannou, & Serafeim, 2014).
- Example: BlackRock, a major institutional investor, pushes for ESG policies in companies where it holds significant stakes.

2. Board Members & Executives

- Corporate boards set governance policies and mediate between shareholder and stakeholder interests (Manetti & Toccafondi, 2012).
- Example: Companies with independent board members tend to adopt more transparent governance practices.

3. Government Regulators & Legal Authorities

- Regulatory agencies enforce corporate compliance with financial, environmental, and labor laws (Kolk & Lenfant, 2013).
- Example: The Securities and Exchange Commission (SEC) in the U.S. mandates corporate transparency in financial reporting.

4. Employees & Labor Unions

- Employees influence governance through union representation, workplace activism, and ethical considerations.
- Example: Google employees organized walkouts to protest unethical business practices, forcing corporate policy changes.

5.2.2.2 Secondary Stakeholders (Indirect Influence)

These stakeholders do not have direct control over governance decisions but influence corporate behavior through public perception, advocacy, and activism.

1. Non-Governmental Organizations (NGOs) & Advocacy Groups

- NGOs pressure corporations into adopting ethical governance and sustainability policies Hill & Jones (1992, cited in Manning et al., 2012).
- Example: Greenpeace campaigns against companies engaging in environmentally harmful practices.

2. Media & Public Watchdogs

- Investigative journalism and corporate watchdogs hold companies accountable for governance failures (Aguilera-Caracuel, 2017).
- Example: The Cambridge Analytica scandal exposed Facebook's data privacy failures, leading to regulatory scrutiny.

3. Consumers & Ethical Market Forces

- Ethical consumerism has forced companies to adopt sustainable business practices (Camillieri, 2019).
- Example: The rise of fair-trade products demonstrates consumer-driven corporate accountability.

5.2.2.3 Emerging Stakeholders (New & Growing Influence)

As global business environments evolve, new stakeholder groups have gained prominence.

1. ESG Rating Agencies & Impact Investors

- ESG rating agencies assess corporate sustainability performance, influencing investor decisions (Caritte, Acha, & Shah, 2015).
- Example: Sustainalytics provides ESG ratings used by financial institutions to assess corporate governance risks.

2. AI Ethics Committees & Digital Activists

- AI governance is a growing concern, with stakeholders demanding algorithmic transparency (Castelló, Etter, & Nielsen, 2016).
- Example: The EU's AI Act regulates ethical AI use in corporations.

3. Digital Activism & Online Accountability Movements

- Social media platforms have amplified stakeholder activism, with campaigns forcing companies to change policies overnight (Manetti & Bellucci, 2016).
- Example: #DeleteUber led to executive resignations and governance reforms at Uber.

Table 5.1. Summary: Stakeholder Categories & Influence

Stakeholder Group	Type	Key Influence on Governance	Example
Investors & Shareholders	Primary	Board decisions & ESG policies	BlackRock’s Activism
Regulators & Legal Authorities	Primary	Enforce compliance & sustainability	SEC corporate regulations
NGOs & Advocacy Groups	Secondary	Pressure companies on ethical issues	Greenpeace’s environmental activism
Consumers & Market Forces	Secondary	Drive demand for ethical business	Fair-trade & sustainable brands
AI & Digital Activists	Emerging	Influence corporate algorithmic decision	EU AI Act regulations

5.2.3 The Link Between Stakeholder Power and Corporate Decision-Making

The ability of stakeholders to influence corporate governance is directly tied to their level of power and interest in business decisions. This influence manifests in various ways, depending on the stakeholder category.

1. Primary Stakeholders Drive Structural Governance Change

Primary stakeholders, such as investors, board members, regulators, and employees, have the strongest influence on corporate governance because they possess both high power and direct engagement in decision-making. Investors, particularly institutional shareholders, often leverage their financial power to enforce Environmental, Social, and Governance (ESG) compliance, as seen with BlackRock’s active engagement in sustainability mandates (Cheng, Ioannou, & Serafeim, 2014). Similarly, regulators enforce legal requirements, shaping corporate strategies to align with national and global standards.

Board members play a pivotal role in setting governance policies, often balancing shareholder interests with broader stakeholder concerns. For example, companies with independent board members tend to adopt more transparent governance practices, Tricker (2011, as cited in Manetti, 2012). Employees also exert governance influence through labor unions and workplace activism, as demonstrated by the Google employee walkouts, which successfully pressured the company into revising its policies on ethics and workplace transparency.

2. Secondary Stakeholders Shape Governance Through Reputation and Market Forces

Secondary stakeholders, including NGOs, media, advocacy groups, and consumers, influence corporate decisions indirectly. They lack direct governance power but wield significant reputational influence, which can force companies to adapt their strategies. NGOs such as Greenpeace and Amnesty International have historically pressured businesses into adopting ethical and sustainable practices through public campaigns, policy lobbying, and corporate rankings (Hill & Jones, 1992).

The media acts as a watchdog, exposing corporate malpractices that can lead to legal action and financial penalties. A striking example is the Cambridge Analytica scandal, which forced Facebook

to revise its data privacy policies due to global regulatory and consumer backlash. Similarly, ethical consumerism movements such as the rise in demand for fair-trade and sustainable products have made companies like Nestlé and H&M redefine their supply chains to align with sustainability goals (Camilleri, 2019).

3. Emerging Stakeholders and the Future of Governance Influence

New stakeholder groups, such as ESG rating agencies, digital activists, and AI ethics committees, are gaining governance influence as business environments evolve. ESG rating firms like Sustainalytics and MSCI are now critical in determining investor confidence and influencing capital flows based on corporate sustainability performance (Caritte, Acha, & Shah, 2015).

Digital activism, amplified by social media campaigns, has also emerged as a governance force. For instance, the #DeleteUber movement in 2017 led to executive resignations and governance changes within Uber, demonstrating how online activism can drive corporate accountability (Manetti & Bellucci, 2016). Likewise, AI ethics committees are becoming essential in overseeing responsible AI governance, ensuring that businesses prioritize transparency, bias mitigation, and ethical AI applications (Castelló, Etter, & Nielsen, 2016).

4. The Interplay Between Power, Influence, and Decision-Making

Corporate governance today is shaped by an increasingly complex and dynamic network of stakeholders. While primary stakeholders directly shape governance structures and policies, secondary stakeholders enforce accountability through reputation and market forces. Emerging stakeholders, especially in the digital and ESG landscapes, are redefining corporate responsibilities in a data-driven and sustainability-conscious world.

Understanding these power dynamics enables organizations to develop more resilient, transparent, and stakeholder-aligned governance models. The next section explores how these stakeholders can be systematically mapped and categorized using the Power-Interest Matrix, a critical tool for prioritizing engagement strategies.

5.3 Stakeholder Mapping: Power-Interest Matrix

5.3.1 Introduction to Mendelow's Power-Interest Matrix

Stakeholder mapping is an essential tool for businesses aiming to develop structured engagement strategies. One of the most widely used models in corporate governance is Mendelow's Power-Interest Matrix (1991), which categorizes stakeholders based on their level of power (influence over corporate decisions) and interest (concern for corporate outcomes).

This model helps businesses determine which stakeholders require priority engagement, ongoing communication, or minimal attention.

The Power-Interest Matrix divides stakeholders into four categories:

1. **Key Players (High Power, High Interest)** These stakeholders must be actively managed and engaged, as they have significant influence over governance policies.
2. **Keep Satisfied (High Power, Low Interest)** These stakeholders have strong influence but limited interest; they need periodic updates to maintain positive relations.

3. **Keep Informed (Low Power, High Interest)** While they lack decision-making power, they remain highly invested in corporate actions and should receive transparent communication.
4. **Minimal Effort (Low Power, Low Interest)** These stakeholders have limited power and minimal interest in governance decisions; they require only occasional monitoring.

5.3.2 Application of the Power-Interest Matrix

Using this matrix, stakeholders in corporate governance can be categorized based on their influence and level of interest.

Key Players (High Power, High Interest)

These stakeholders are the most influential and must be engaged regularly through strategic decision-making channels. Their actions can determine a company’s sustainability direction, regulatory compliance, and investor relations.

Table 5.2

Key Players	Influence	Examples
Investors & Stakeholders	Control capital allocation, demand ESG compliance	BlackRock, Vanguard, Institutional Investors
Regulatory Authorities	Enforce legal & governance standards	SEC (USA), Financial Conduct Authority (UK)
Board Members & Executives	Set corporate policies & sustainability goals	Tesla, Apple Corporate Boards

Keep Satisfied (High Power, Low Interest)

These stakeholders have significant power but may not be actively engaged unless their interests are directly affected. Ensuring periodic engagement prevents them from turning against the company.

Table 5.3

Keep Satisfied	Influence	Examples
Large Institutional Investor	Can shift investment strategies based on corporate governance performance	Norwegian Wealth Fund, Pension Fund
Auditors & Risk Assessment Agencies	Oversee financial & operational integrity	KPMG, Deloitte

Keep Informed (Low Power, High Interest)

These stakeholders have limited direct power but are highly invested in governance outcomes. They play a **vital role in shaping corporate reputation** and must be kept informed through communication strategies.

Table 5.4

Keep Informed	Influence	Examples
NGOs & Advocacy Groups	Push for ethical governance & environmental sustainability	Greenpeace, Oxfam
Media & Watchdogs	Influence public perception & corporate credibility	The Guardian, Bloomberg
Consumers & Ethical Market Forces	Demand sustainable products & transparency	Fair Trade, B Corp Brands

Minimal Efforts (Low Power, Low Interest)

These stakeholders have minimal direct influence on corporate governance but should not be ignored entirely. Their impact may increase over time as market dynamics evolve.

Table 5.5

Minimal Effort	Influence	Examples
Passive Shareholders	Limited Voting rights, low activism	Retail Investors, Index Fund Holders
Non-engaged Consumers	Minimal interaction with corporate policies	Occasional Customers

Table 5.6 Mendelow’s Power-Interest Matrix Applied to Corporate Governance

Stakeholder Category	Example Stakeholders	Engagement Strategy
Key Players (High Power, High Interest)	Institutional Investors (e.g., BlackRock), Regulatory Bodies (SEC, EU Commission), Corporate Executives	Frequent engagement via board meetings, governance consultations, ESG reporting
Keep Satisfied (High Power, Low Interest)	Large institutional investors (e.g., Pension Funds), Risk Analysts, External Auditors	Periodic updates through financial reporting, governance transparency efforts
Keep Informed (Low Power, High Interest)	NGOs (e.g., Greenpeace), Ethical Consumer Groups, Media Watchdogs	Transparent communication via sustainability reports, corporate responsibility disclosures
Minimal Effort (Low Power, Low Interest)	Passive Consumers, Small Shareholders, Local Community Members	Occasional monitoring through general public relations efforts

This categorization allows businesses to **allocate resources efficiently**, ensuring that high-impact stakeholders receive adequate attention while maintaining transparency with less influential actors

Fig 5.2 Mendelow’s Power-Interest Matrix Diagram (Source- Accountancyindex.com)



5.4 Patterns of Stakeholder Influence

5.4.1 Stakeholder Pressure as a Catalyst for Corporate Change

Stakeholders exert pressure on businesses through various mechanisms, such as legal frameworks, financial incentives, consumer activism, and public advocacy (Manetti et al., 2012). The following cases illustrate how stakeholder pressure leads to corporate transformation:

Case Study 1: NGO Influence on Corporate Sustainability

Nestlé's Palm Oil Controversy & Greenpeace Activism

- In 2010, Greenpeace launched a campaign against Nestlé for sourcing palm oil from suppliers contributing to deforestation.
- Due to public pressure and media exposure, Nestlé adopted a zero-deforestation commitment and enhanced supply chain transparency.

5.4.2 Resistance and Corporate Deflection Strategies

Corporations sometimes resist stakeholder demands through:

1. **Symbolic Compliance-** Adopting surface-level sustainability policies without real enforcement.
2. **Lobbying & Policy Manipulation-** Influencing government regulations to weaken corporate accountability.

Example: Volkswagen's Emissions Scandal

- Volkswagen manipulated emissions data to comply with regulatory standards but was exposed by environmental watchdogs and regulators.
- The scandal led to billions in fines and a global shift toward stronger emissions transparency.

5.4.3 Role of Financial Institutions and ESG Investing

ESG (Environmental, Social, and Governance) investing has become a major force in corporate governance, with investors favoring companies that demonstrate sustainability commitments (Wieland, 2005).

Table 5.7

ESG Investment Trend	Impact on Governance
Green Bonds	Encourage sustainable corporate financing
ESG Ratings (MSCI, Sustainalytics)	Forces companies to improve governance standards
Sustainable Index Funds	Investors shift capital toward ethical businesses

5.4.4 Consumer-Led Sustainability Movements

Consumers increasingly influence corporate governance by demanding sustainable, ethical, and transparent business practices (Manetti, 2012).

Example: Fast-Fashion & Consumer Activism

- Brands like H&M & Zara faced backlash over unethical labor practices, leading to supply chain reforms and the rise of sustainable fashion.

5.5 Stakeholder Engagement Strategies

Corporations implement diverse engagement strategies to manage stakeholder expectations.

5.5.1 Best Practices in Stakeholder Engagement

1. **Multi-Stakeholder Governance Models-** Incorporating diverse voices in decision-making.
2. **Transparent Reporting-** Publishing sustainability and corporate responsibility reports.
3. **Inclusive Decision-Making-** Engaging with employee representatives, consumer groups, and regulators.

Table 5.8

Engagement Strategy	Outcome
Stakeholder Dialogues	Enhances Corporate Transparency
ESG Reporting	Builds Investor confidence
Supply Chain Audits	Ensures ethical business practices

5.6 Conclusion & Recommendations

Bridging Theory and Practice: Stakeholder Influence in Case Studies

The insights from this chapter provide a structured understanding of how stakeholders shape corporate governance, from regulatory pressures to consumer activism and digital influence. However, stakeholder power and interest do not operate in isolation—their impact varies significantly based on industry dynamics, company culture, and external economic conditions.

To deepen this analysis, the next chapter will apply these stakeholder mapping insights to real-world corporate case studies, examining how governance strategies differ across industries. By testing the Power-Interest Matrix and stakeholder engagement frameworks in diverse business contexts, we will explore patterns of stakeholder influence in action.

For instance, how does regulatory pressure shape governance decisions in financial institutions compared to the tech industry? Do ESG-driven investors influence governance structures differently in oil companies versus consumer goods brands? These case studies will provide

empirical evidence of how organizations navigate stakeholder relationships, offering a practical perspective on the theoretical models discussed in this chapter.

By the end of the next chapter, we will gain a comparative understanding of governance best practices, stakeholder power shifts, and the evolving role of corporate accountability across industries.

Key Takeaways:

- Stakeholders shape corporate governance through financial, regulatory, and social influence.
- Mendelow's Power-Interest Matrix helps classify stakeholders for effective engagement.

Recommendations:

- Businesses should integrate stakeholder-driven sustainability into governance frameworks.
- Regulators must enhance transparency requirements for corporate governance reporting.

Chapter 6

6. Case Study Summaries

Case Study 1: Surviving Relatives as Stakeholders for Corporate Social Responsibility and Safety Improvement (Netherlands)

Schunk Xycarb Technology, a globally operating company in the semiconductor industry, specializes in quartz, graphite, and advanced technical ceramics. As part of the Schunk Group based in Germany, the company operates under a foundation-owned governance model. The case study focuses on a fatal workplace accident in 2014 at Xycarb's Helmond, Netherlands facility, which led to the deaths of two employees. In the aftermath, surviving relatives, particularly the widow and brother-in-law of one victim, emerged as key stakeholders, advocating for corporate social responsibility (CSR) and meaningful safety reforms. Their involvement extended beyond personal grievance, influencing company policies and national labor regulations.

The engagement of these surviving relatives in governance decisions was profound. Initially, their focus was on ensuring justice, but over time, they transitioned into agents of change, working closely with Xycarb to enhance workplace safety. They played a pivotal role in developing a five-year safety improvement program, which included annual safety days, stricter safety culture initiatives, and the integration of proactive safety measures. Beyond the company, their advocacy reached national policymakers, leading to labor law reforms that prioritized safety improvement programs over punitive fines. Their efforts underscored the significance of recognizing victims' families as vital stakeholders in corporate governance and labor policy.

Despite these positive changes, the case also revealed significant governance challenges. The initial response from Xycarb involved legal disputes over liability and compensation, straining the relationship between the company and the affected families. Additionally, bureaucratic obstacles from labor inspection authorities, forensic institutions, and financial bodies, including insurers and tax authorities, further complicated the post-accident process. Transparency issues and delayed investigations added to the distress of the victims' families. However, through persistent advocacy, the surviving relatives managed to push for national reforms, influencing workplace safety laws and labor inspection strategies. Their contributions highlight the potential of secondary victims to drive transformative changes in corporate responsibility and regulatory frameworks, reinforcing the need for businesses and institutions to adopt a more human-centered approach to workplace safety and governance.

Case Study 2: Achieving Sustainable Corporate Social Responsibility Outcomes: A Multiple Case Study in the South African Mining Industry

South Africa's mining industry plays a crucial role in the economy, but it faces increasing pressure to act responsibly towards host communities. Many mining companies have implemented corporate social responsibility (CSR) initiatives aimed at achieving sustainable economic, social, and environmental outcomes. However, the long-term impact of these initiatives remains

uncertain. The study, "Achieving Sustainable Corporate Social Responsibility Outcomes: A Multiple Case Study in the South African Mining Industry" (Serfontein-Jordaan & Dlungwane, 2022), explores how stakeholder engagement contributes to the sustainability of CSR projects in the sector.

Stakeholders play a pivotal role in these CSR initiatives, with mining companies actively involving communities, local governments, NGOs, and other industry peers in decision-making. The study finds that successful projects require not just financial investment but also strategic collaboration and engagement to ensure long-term benefits. The projects cover essential areas such as education, health, infrastructure development, agriculture, and poverty alleviation. For instance, mining companies build and refurbish clinics and schools, support local businesses, and invest in job creation programs. However, challenges remain, as some projects, particularly those involving agriculture, struggle due to environmental degradation caused by mining activities.

One of the main governance challenges is ensuring alignment between CSR initiatives and municipal development plans. Mining companies rely on Integrated Development Plans (IDPs) to ensure infrastructure projects meet local needs, yet there is often a disconnect between company efforts and government capacity to sustain these projects. Additionally, collaboration between mining companies remains limited, as many prefer to implement projects independently rather than pool resources for larger-scale impact.

The study emphasizes the importance of obtaining stakeholder buy-in to improve the success of CSR initiatives. When communities feel a sense of ownership over projects, they are more likely to protect and sustain them. Conversely, top-down approaches, where decisions are made without community input, often lead to resistance and failure. The research also highlights the role of regulatory frameworks, such as the Social and Labor Plan (SLP), which requires companies to align their CSR efforts with national development goals.

Overall, the study demonstrates that sustainable CSR in the South African mining sector depends on effective stakeholder engagement, alignment with national policies, and long-term planning. While mining companies have made progress in integrating social and environmental responsibility into their operations, the industry still faces challenges in ensuring that these efforts lead to meaningful, lasting benefits for host communities.

Case Study 3: CSR Reporting Practices: The Case of the University of Bari

The University of Bari, a major public higher education institution in Italy, has been actively integrating Corporate Social Responsibility (CSR) into its governance and strategic framework. Universities, like corporations, have a responsibility to address social, environmental, and economic challenges, particularly in fostering sustainability and ethical leadership. This case study examines how the University of Bari has incorporated CSR into its organizational structure and reporting practices, as explored in *CSR Reporting Practices: The Case of the University of Bari* (Campobasso et al., 2022).

Stakeholder engagement is a crucial element in the university's CSR approach. The institution involves faculty, students, administrative staff, and the broader local community in shaping its

sustainability agenda. Through a combination of research, academic training, and community outreach programs, the university seeks to promote CSR values across multiple sectors. The administration has also taken steps to ensure transparency in reporting CSR initiatives, making information accessible to the public through sustainability reports and strategic communication efforts.

The University of Bari has implemented various sustainability strategies to strengthen its ESG (Environmental, Social, and Governance) performance. The university's commitment to the United Nations Sustainable Development Goals (SDGs) is reflected in its policies, particularly through educational programs designed to raise awareness of CSR issues. It has introduced interdisciplinary sustainability courses, aimed at equipping students with the knowledge needed to tackle contemporary social and environmental challenges. Additionally, the university actively participates in national and international networks dedicated to sustainable development, reinforcing its commitment to a broader global agenda.

Despite these efforts, the university faces key governance challenges. One of the primary issues is the lack of a structured communication strategy for CSR initiatives, which makes it difficult for stakeholders to engage with and fully understand the university's impact. Additionally, while faculty and administrative staff are highly involved in sustainability-related activities, coordinating these efforts remains a challenge due to limited resources and the need for greater institutional alignment. The university also seeks to improve its measurement of environmental impact, particularly regarding carbon emissions and energy consumption.

Overall, the case of the University of Bari highlights the evolving role of universities in corporate social responsibility. By integrating CSR into academic and operational frameworks, the institution is contributing to both regional and global sustainability efforts. However, for long-term success, the university must refine its communication strategies, enhance collaboration across departments, and develop more comprehensive sustainability metrics.

Case Study 4: Guidelines to Build the Bridge Between Sustainability and Integrated Management Systems: A Way to Increase Stakeholder Engagement Toward Sustainable Development

Many companies are increasingly integrating sustainability into their governance structures through Integrated Management Systems (IMS), aiming to align corporate sustainability (CS) strategies with existing management frameworks. The case study "Guidelines to Build the Bridge Between Sustainability and Integrated Management Systems: A Way to Increase Stakeholder Engagement Toward Sustainable Development" (Nunhes et al., 2022) explores how IMS can support sustainability initiatives and enhance stakeholder engagement.

Stakeholders play a crucial role in this transformation. Large industrial companies in Brazil, Portugal, and Spain have adopted various management systems, including ISO 9001 (quality management), ISO 14001 (environmental management), and ISO 45001 (occupational health and safety management). These systems provide a structured approach to sustainability by integrating compliance, risk management, and process improvements. The study highlights that governance

boards and sustainability committees within organizations are essential for aligning corporate sustainability with IMS, ensuring that social, environmental, and economic objectives are met.

A key aspect of sustainability strategies in these companies is their commitment to the United Nations Sustainable Development Goals (SDGs) and the circular economy model. IMS helps facilitate these efforts by standardizing sustainability metrics, integrating risk management, and ensuring compliance with national and international regulations. Companies that successfully align IMS with sustainability strategies are better positioned to reduce environmental impact, improve employee well-being, and enhance corporate transparency. However, the study also notes challenges such as the complexity of integrating different management systems, lack of employee awareness, and inconsistent long-term planning.

One of the main governance challenges is balancing short-term operational needs with long-term sustainability goals. Many companies focus on immediate compliance and risk mitigation, while sustainability initiatives require a broader strategic vision. Additionally, companies struggle with measuring sustainability performance effectively, as IMS often focuses on operational efficiency rather than broader ESG (Environmental, Social, Governance) outcomes. The study suggests that standardized sustainability reporting frameworks such as GRI (Global Reporting Initiative) and ISO 26000 (social responsibility standards) can help address this issue by providing clear metrics for evaluating corporate impact.

Overall, the case study illustrates that integrating sustainability into IMS is a strategic decision that requires structural adjustments, leadership commitment, and active stakeholder engagement. While companies in Brazil, Portugal, and Spain have made significant progress, further collaboration between corporations, regulatory bodies, and civil society is needed to ensure that sustainability efforts lead to tangible, long-term benefits.

Case 5: Demystifying Corporate Inertia Towards Transition to Circular Economy: A Management Frame of Reference

Many businesses recognize the importance of transitioning to a circular economy (CE) as a way to reduce waste, optimize resource usage, and ensure long-term sustainability. However, corporate inertia remains a significant barrier to fully adopting CE principles. The case study, "Demystifying Corporate Inertia Towards Transition to Circular Economy: A Management Frame of Reference" (Yamoah et al., 2022), explores why many organizations, particularly in the UK food industry, are hesitant to make this shift despite acknowledging its benefits.

One of the key challenges lies in stakeholder engagement, particularly the role of top management in driving the transition. The study, which involved interviews with senior managers from four large UK food companies, revealed that executives are aware of circular economy principles but are not convinced of the short-to-medium-term business case. Instead of seeing CE as an opportunity for innovation and competitive advantage, many managers perceive it as costly, time-consuming, and lacking immediate financial benefits. This misalignment between corporate values and CE goals leads to a passive approach, where responsibility is shifted to civil society and public institutions rather than actively engaging internal and external stakeholders.

Sustainability strategies within these companies are often limited to surface-level initiatives, described in the study as a sophisticated form of circularity greenwashing. While companies highlight environmental commitments in their corporate sustainability reports, internal teams especially operational managers struggle with a lack of technical knowledge, insufficient CE-related data, and resistance to change. Moreover, there is a disconnect between corporate messaging and on-the-ground implementation, with many employees equating CE with basic recycling rather than a fundamental shift in business operations.

A significant governance challenge is the absence of standardized CE performance indicators within supply chains. Unlike financial metrics, which are well-defined, circular economy success lacks clear, universally accepted measurements. This ambiguity discourages businesses from investing in CE transitions, as they cannot easily quantify returns on investment. Furthermore, many companies prioritize short-term profitability over long-term sustainability, reinforcing corporate inertia rather than fostering proactive engagement with circularity initiatives.

The case study emphasizes the importance of circularity education and training as a mediating factor in overcoming these barriers. Companies that invest in CE-related training programs for employees and management tend to be more successful in aligning their business models with circular principles. The study suggests that education should go beyond basic awareness to include practical implementation strategies, supply chain collaboration, and measurable sustainability outcomes.

Ultimately, the research highlights a critical gap between corporate rhetoric and action in the transition to a circular economy. While businesses acknowledge the importance of sustainability, they remain hesitant to fully commit due to economic uncertainties, cultural resistance, and lack of a unified strategy. Addressing these issues requires leadership commitment, cross-industry collaboration, and policy incentives to make circularity a viable, mainstream business model rather than a niche concept.

Case Study 6: Social Movements as a Strategy to Improve the Application and Outcomes of CSR: A Case Study of the Ao Udom Community, Thailand

The Ao Udom community in Thailand has long faced environmental and health challenges due to industrial activities in the Eastern Economic Corridor, a special economic zone with major commercial ports and petroleum industries. The case study "Social Movements as a Strategy to Improve the Application and Outcomes of CSR: A Case Study of the Ao Udom Community, Thailand" (Wisutthiarpa et al., 2022) examines how social movements can be leveraged to improve corporate social responsibility (CSR) practices and stakeholder engagement.

Stakeholders in this case include residents, government agencies, businesses, and social movement organizations. Over the years, community members have struggled with pollution, heavy metal contamination, and health issues linked to industrial activities. Dissatisfied with the voluntary and often superficial CSR initiatives implemented by companies, the community formed a social movement in 2010 to demand better corporate responsibility and environmental protections. Initially, their activism involved protests, complaints to government agencies, and media

campaigns to draw attention to the adverse effects of industrial operations. However, these methods yielded limited success in securing tangible changes from businesses.

A shift in strategy occurred in 2012 when the movement focused on collaboration rather than confrontation. Using a mix of empirical research, legal advocacy, and media engagement, the community pressured businesses to adopt more meaningful CSR measures. A key outcome of this movement was the establishment of the Ao Udom Community Welfare Fund, where port operators contributed financial resources to support those affected by industrial activities. Additionally, the movement helped create the Ao Udom Community Charter, a memorandum of understanding that set guidelines for sustainable coexistence between businesses and residents.

Despite these achievements, challenges remain. The charter is not legally binding, meaning companies are not compelled to comply beyond voluntary commitments. Furthermore, financial contributions to the welfare fund are limited, raising concerns about whether they adequately compensate for the long-term impact of industrial pollution. Another issue is inclusivity, as some affected community members are excluded from receiving benefits due to bureaucratic limitations.

This case demonstrates how social movements can be a powerful tool for holding corporations accountable and shaping CSR initiatives to better serve community needs. The Ao Udom model highlights the importance of stakeholder engagement, legal advocacy, and data-driven activism in achieving sustainable corporate responsibility. However, stronger legal frameworks and enforceable agreements may be needed to ensure that businesses uphold their commitments in the long run.

Case Study 7: Business Response to Natural Disaster Mitigation (COVID-19): A Case from Pakistan

During the COVID-19 pandemic, businesses across the world played a crucial role in responding to the crisis. In Pakistan, where government resources were limited, companies were expected to contribute towards public awareness and disaster mitigation. The case study "Business Response to Natural Disaster Mitigation (Covid-19): A Case from Pakistan" (Javed & Said, 2022) examines how three major industries finance, telecommunications, and petroleum engaged with corporate social responsibility (CSR) during the pandemic.

Stakeholder engagement was a key factor in shaping business responses. The study analyzed the social media activities of firms in these industries, particularly their Facebook presence, to assess how they communicated about COVID-19. Findings showed that while businesses did acknowledge the crisis, their engagement was heavily skewed towards marketing rather than public awareness efforts. Companies in the financial services and telecommunications sectors had the largest outreach, with millions of followers on Facebook. However, their posts focused more on promoting products and services rather than providing critical public health information.

Despite the lack of proactive measures, several companies implemented reactive sustainability strategies in response to the pandemic. Banks disinfected and quarantined currency notes to minimize virus transmission encouraged customers to use digital banking and provided hand sanitizers at physical branches. The telecommunications sector sent automated COVID-19 safety

messages to all users and changed caller tones to remind people about health precautions. However, the petroleum sector was notably less active in COVID-19 mitigation efforts, with no significant measures beyond social media posts.

One of the key governance challenges highlighted in the study was the absence of proactive disaster management strategies. Unlike companies in developed countries, Pakistani businesses did not anticipate the crisis or implement preparedness measures before COVID-19 became a national emergency. The study also found public engagement on social media to be higher for COVID-19-related posts than for marketing content, indicating that stakeholders expected companies to take a more active role in public health awareness. However, many firms prioritized commercial interests over social responsibility, reflecting a gap between corporate rhetoric and actual action.

Ultimately, this case study underscores the critical role businesses can play in mitigating natural disasters and public health crises. While some firms took important steps, the overall response was reactive rather than strategic, and companies missed an opportunity to strengthen stakeholder trust through meaningful CSR engagement. The findings suggest that for businesses to be truly socially responsible, they must integrate disaster preparedness, transparent communication, and community engagement into their long-term governance strategies.

Case Study 8: Collaborative Strategic View in Corporate Social Responsibility – Construction Industry Case

The construction industry plays a significant role in economic and social development but also faces intense scrutiny due to its environmental impact and labor practices. The case study "Collaborative Strategic View in Corporate Social Responsibility – Construction Industry Case" (Lovrenčić Butković et al., 2021) examines the role of corporate social responsibility (CSR) in the Croatian construction sector, particularly the level of CSR awareness and how companies engage with stakeholders to implement sustainability strategies.

Stakeholder engagement in the Croatian construction industry is still evolving. While large construction companies recognize CSR as an important factor, many have yet to fully integrate it into their core business strategies. Companies primarily focus on non-financial reporting as a means of demonstrating CSR commitments, but in practice, CSR activities are often reactive rather than proactive. The study found that firms tend to adopt ISO 26000 (Guidance on Social Responsibility) and GRI (Global Reporting Initiative) standards for reporting purposes, but stakeholder collaboration remains limited, often driven by regulatory requirements rather than voluntary strategic engagement.

Sustainability strategies within the construction industry typically focus on environmental protection, employee safety, and local community engagement. Firms engage in activities such as waste management, green construction initiatives, and occupational health programs. However, the study revealed a disconnect between stated CSR policies and their actual implementation. Many construction firms still prioritize short-term financial performance over long-term sustainability, leading to CSR activities being viewed as secondary rather than integral to business strategy. The research identified 11 key CSR activities, including environmental impact

assessments, worker safety programs, and stakeholder communication initiatives, which could form the foundation of a more integrated approach.

One of the key governance challenges highlighted in the study is the lack of a standardized collaborative CSR framework. While individual companies implement CSR initiatives, there is no industry-wide approach to stakeholder engagement, making it difficult to achieve a collective impact. Furthermore, CSR in the construction industry is often reactive to regulatory pressures rather than being a voluntary, strategic choice. Another challenge is low awareness among company leadership about the long-term benefits of CSR, which leads to inconsistent commitment across different firms.

The case study concludes that a collaborative CSR strategy, involving stronger partnerships between construction firms, government agencies, and local communities, is needed to ensure long-term sustainability in the sector. By moving beyond compliance-driven CSR towards a strategic, stakeholder-inclusive approach, construction firms can not only enhance their corporate reputation and risk management but also contribute meaningfully to social and environmental development. However, achieving this requires a shift in corporate mindset, better CSR education, and stronger policy support to encourage integrated and impactful sustainability practices across the industry.

Case Study 9: Let the Talk Count: Attributes of Stakeholder Engagement, Trust, Perceived Environmental Protection, and CSR

Corporate social responsibility (CSR) in the mining sector remains a contentious issue, particularly in regions where local communities experience significant environmental and social disruptions due to industrial activities. The case study "Let the Talk Count: Attributes of Stakeholder Engagement, Trust, Perceived Environmental Protection, and CSR" (Boadi et al., 2019) explores the relationship between stakeholder engagement, trust, environmental protection, and CSR acceptance in Ghana's mining industry.

Stakeholder engagement is a crucial factor in building trust between mining firms and local communities. The study surveyed over 600 residents in Ghanaian mining towns, examining how aspects like information sharing, procedural fairness, and empathy influence trust and CSR acceptance. It found that local communities are highly skeptical of CSR initiatives, often viewing them as greenwashing tactics rather than genuine efforts to improve livelihoods. Many residents feel that mining companies engage in CSR only to secure a "social license to operate" rather than as a long-term commitment to community welfare.

The study highlights that quality stakeholder engagement where companies share relevant information, treat communities respectfully, and listen to their concerns can significantly enhance trust. However, it also found that simply increasing the quantity of engagement (such as holding more meetings) does not necessarily improve trust. Instead, the key is to ensure fairness, transparency, and genuine responsiveness to community concerns. The mining firms that respected local voices addressed grievances, and demonstrated environmental responsibility were more likely to be trusted and have their CSR initiatives accepted.

One of the most pressing governance challenges in the sector is mistrust. Many local communities in Ghana believe that mining firms are primarily responsible for environmental degradation, including land destruction, water pollution, and air contamination. The study found that even when companies implement CSR projects such as drilling boreholes or funding community health programs these efforts are often met with resistance due to a lack of trust. The research underscores that trust plays a mediating role if mining firms fail to establish trust, their CSR efforts are unlikely to gain acceptance, no matter how well-funded or well-intentioned they may be.

This case study highlights the need for mining companies to shift their CSR approach from transactional philanthropy to genuine partnerships with local communities. Effective CSR in the mining sector should not only focus on compensatory projects but also integrate sustainable environmental management, participatory decision-making, and long-term development planning. Only through transparent, fair, and empathetic engagement can mining firms bridge the trust gap and create CSR initiatives that truly benefit both businesses and local communities.

Case Study 10: Stakeholder Engagement in Construction: Exploring Corporate Social Responsibility, Ethical Behaviors, and Practices

The construction industry is often associated with corporate social responsibility (CSR), but stakeholder engagement in construction projects remains complex and under-theorized. The case study "Stakeholder Engagement in Construction: Exploring Corporate Social Responsibility, Ethical Behaviors, and Practices" (Collinge, 2020) examines how CSR principles are applied in construction projects and how ethical behavior affects stakeholder relations.

Stakeholder engagement in construction is not a straightforward process; it involves multiple parties, including contractors, subcontractors, clients, regulatory bodies, and local communities. The study highlights that stakeholder engagement is often simplified as an act of CSR, but in reality, it is an evolving process intertwined with responsibility, project requirements, and ethical considerations. Construction projects involve shifting dynamics where stakeholder relations fluctuate between responsible, paternalistic, strategic, and neoclassical behaviors, depending on how companies engage with their stakeholders.

In terms of sustainability strategies and CSR performance, the study finds that some construction firms adopt ethical engagement practices, ensuring transparent communication, participatory decision-making, and environmental considerations. However, other firms view stakeholder engagement as a strategic mechanism to gain project approvals rather than a genuine commitment to responsibility. For example, some contractors engage in high-visibility CSR initiatives such as community engagement meetings without addressing local concerns, a form of corporate greenwashing.

One of the key governance challenges in the construction sector is the role of subcontractors. Unlike direct stakeholders, subcontractors often have limited engagement with clients and communities, yet their actions directly affect the project's overall ethical standing. The study provides examples where subcontractors' actions such as failing to consult with hospital staff during a hospital renovation project led to mistrust and dissatisfaction, despite the main

contractor's CSR commitments. This highlights the gap between corporate governance structures and on-the-ground execution of ethical practices.

The study concludes that construction firms must move beyond a compliance-based approach to stakeholder engagement and instead adopt a more integrated, ethically driven CSR model. Periodic stakeholder engagement reviews, transparent communication, and strong leadership commitment to CSR are necessary for the industry to build trust and ensure that social and environmental impacts are genuinely addressed. Without these elements, CSR in construction risks becoming a superficial exercise rather than a meaningful contribution to sustainability and ethical governance.

Case Study 11: Algorithm Applied in Corporate Sustainability

Corporate sustainability is increasingly reliant on stakeholder engagement and data-driven decision-making. The case study "Algorithm Applied in Corporate Sustainability" (Barcellos de Paula & Gil-Lafuente, 2021) explores how an algorithmic approach specifically using fuzzy logic and the Experton Method can improve corporate decision-making, particularly in prioritizing sustainability issues within a multinational sports company.

Stakeholder engagement plays a vital role in shaping corporate sustainability strategies. The study is based on the Stakeholder Theory (Freeman, 1984), which emphasizes the importance of integrating diverse stakeholder interests into business operations. The Global Reporting Initiative (GRI) framework was used to assess stakeholder expectations related to sustainability concerns. The study applies fuzzy logic and the Experton Method, an algorithm designed to aggregate expert opinions and help companies rank sustainability priorities more effectively. This approach ensures that companies consider qualitative data reliably and systematically, reducing the subjectivity of decision-making.

The sustainability strategy examined in the case study focuses on five key CSR issues within the sportswear company's supply chain: ethical business practices, forced labor, carbon footprint (supply chain), supply chain transparency, and disciplinary practices. Using the Experton Method, experts were surveyed to rank these issues in terms of priority. The results showed that forced labor and supply chain transparency were the most pressing concerns, requiring immediate action, while disciplinary practices were deemed less urgent. This ranking enabled the company to allocate resources effectively and develop a more structured CSR plan.

One of the key governance challenges highlighted in the study is the difficulty of balancing multiple sustainability concerns while ensuring efficiency. Companies often struggle with subjectivity and conflicting stakeholder demands, leading to inefficient resource allocation. The study demonstrates how algorithmic decision-making can reduce uncertainty, enhance precision, and facilitate strategic prioritization of sustainability initiatives. However, a major limitation is that algorithmic models, while useful, still require human oversight to ensure ethical and social considerations are adequately addressed.

This case study underscores the potential of fuzzy logic and algorithmic tools in corporate sustainability. By integrating data-driven decision-making into sustainability strategies, companies can enhance transparency, build stakeholder trust, and improve long-term corporate responsibility.

However, for these methods to be truly effective, they must be paired with proactive governance, stakeholder collaboration, and continuous monitoring of sustainability impacts.

Case Study 12: A New Conceptual Model of Influences Driving Sustainability Based on Case Evidence of the Integration of Corporate Sustainability Management Control and Reporting

Corporate sustainability reporting is often criticized for being disconnected from day-to-day management activities. The case study "A New Conceptual Model of Influences Driving Sustainability Based on Case Evidence of the Integration of Corporate Sustainability Management Control and Reporting" (de Villiers, Rouse & Kerr, 2016) explores how integrating management control systems (MCS) with sustainability reporting can enhance sustainability outcomes. The study focuses on a large industrial firm in New Zealand that successfully combined its Balanced Scorecard (BSC) with external sustainability reporting to create a more structured, accountable, and transparent sustainability strategy.

Stakeholder engagement plays a pivotal role in this integration. The study finds that external stakeholders investors, regulators, customers, and civil society groups influence both sustainability reporting and internal management systems. This mutual influence ensures that sustainability issues are embedded in operational decision-making, rather than being treated as external compliance requirements. The Balanced Scorecard (BSC), traditionally used for financial and operational performance tracking, was adapted to include environmental and social indicators, allowing the company to align its sustainability goals with its business strategy.

The sustainability strategies examined in the case include structured sustainability reporting, individual employee accountability measures, and internal communication enhancements. The firm developed monthly sustainability performance tracking through the BSC, ensuring that issues such as carbon footprint reduction, waste management, and employee well-being were consistently monitored. Furthermore, employee engagement programs were introduced to foster a culture of sustainability, reinforcing the idea that sustainability is a shared responsibility across all levels of the company.

One of the key governance challenges faced by the firm was ensuring that sustainability reporting did not become a mere public relations exercise. To counter this, the company ensured that measurable sustainability indicators were embedded in employee performance evaluations, making sustainability a core part of business operations rather than an isolated initiative. Another challenge was balancing financial performance with long-term sustainability investments, particularly in an industry where short-term financial goals often take precedence.

This case study underscores the importance of integrating sustainability into core management systems, rather than treating it as a separate function. By aligning sustainability reporting with management control systems, companies can enhance transparency, improve stakeholder trust, and create long-term value. However, for such integration to be effective, firms must commit to ongoing stakeholder dialogue, clear sustainability metrics, and a corporate culture that prioritizes environmental and social responsibility.

Case Study 13: Investigating the Drivers of Corporate Social Responsibility in the Global Tea Supply Chain: A Case Study of Eastern Produce Limited in Malawi

The global tea supply chain has come under increasing scrutiny for its social and environmental impacts, particularly in developing countries where tea production is a major industry. The case study "Investigating the Drivers of Corporate Social Responsibility in the Global Tea Supply Chain: A Case Study of Eastern Produce Limited in Malawi" (Mzembe et al., 2016) examines how internal and external pressures shape corporate social responsibility (CSR) practices in Malawi's tea industry.

Stakeholder engagement plays a crucial role in driving CSR in the tea supply chain. Eastern Produce Malawi, a subsidiary of Camellia International Group (UK), is influenced by multiple stakeholder groups, including international buyers, certification organizations, government agencies, local communities, and labor unions. External pressures, particularly from Western consumers and regulatory bodies, have pushed the company to adopt CSR initiatives to maintain its market position and secure export opportunities. Additionally, international organizations such as the United Nations Global Compact and Ethical Tea Partnership have influenced the company's labor and environmental standards. However, the study also highlights the role of internal drivers, particularly top management commitment and company values, in shaping CSR strategies. The managing director's connection to Malawi and commitment to social responsibility played a key role in integrating CSR into business practices.

Eastern Produce Malawi has implemented several sustainability strategies to align with CSR expectations. The company focuses on ethical labor practices, supply chain transparency, anti-corruption initiatives, and environmental sustainability. Key measures include higher-than-minimum wages for workers, health and education initiatives for local communities, and sustainable agricultural practices. The company has also partnered with international organizations to enhance worker rights, waste management, and fair trade certification. However, despite these initiatives, many local stakeholders remain skeptical about the depth and sincerity of the company's CSR commitments, with some viewing them as market-driven compliance efforts rather than genuine social investments.

A major governance challenge identified in the study is the disconnect between corporate policies and local enforcement. While Eastern Produce Malawi adheres to international CSR codes and certification standards, enforcement at the local level remains weak due to regulatory gaps, limited oversight, and resource constraints. Another challenge is balancing profitability with CSR investments, as short-term financial pressures often limit the scope of long-term sustainability projects. Furthermore, voluntary CSR standards are not legally binding, meaning companies can selectively implement CSR measures based on market incentives rather than real ethical commitments.

This case study highlights that both external market pressures and internal leadership influence CSR adoption in the global tea industry. However, for CSR to be truly effective, companies like Eastern Produce Malawi must move beyond compliance-driven CSR and engage in deeper partnerships with local stakeholders. Strengthening legal frameworks, enhancing community

participation, and improving transparency in CSR reporting could help bridge the trust gap and create more sustainable and meaningful social impact in the tea industry.

Case Study 14: Strategies of Legitimacy Through Social Media: The Networked Strategy

In the digital era, corporations must actively manage their legitimacy and stakeholder engagement in an increasingly interconnected world. The case study "Strategies of Legitimacy Through Social Media: The Networked Strategy" (Castelló, Etter & Nielsen, 2016) examines how corporate legitimacy is built and maintained through social media. The study focuses on Health Corporation (a pseudonym for a multinational pharmaceutical company) and its use of Twitter as a tool for stakeholder engagement over 41 months.

Stakeholder engagement in this case study took place in three key stages: (1) Strategic Manipulation, (2) Limited Networked Strategy, and (3) Networked Strategy with Contextual and Structural Engagements. Initially, Health Corporation's corporate social responsibility (CSR) team controlled the conversation, selecting topics and stakeholders for engagement. However, as social media gained influence, this top-down approach failed to generate legitimacy. Over time, the company reduced control over its interactions, allowing for non-hierarchical, open conversations with stakeholders, which significantly improved legitimacy.

The study highlights how social media can be leveraged as a sustainability strategy, particularly in addressing sustainable development (SD) issues. Instead of broadcasting corporate messaging, Health Corporation co-created content with stakeholders, participating in real-time discussions on health, sustainability, and patient concerns. This shift from controlled messaging to open dialogue transformed the company's online presence, fostering greater trust and authenticity among stakeholders.

However, governance challenges remain. The study found that corporate legitimacy on social media is fragile, as companies must continuously adapt to evolving stakeholder expectations. Additionally, engaging in open, non-hierarchical conversations introduces risks, including reputational damage and loss of message control. The company's CSR team struggled with balancing corporate messaging and genuine engagement, highlighting the tension between traditional corporate governance structures and the decentralized nature of social media.

This case study provides valuable insights into modern corporate legitimacy strategies. It demonstrates that companies seeking to enhance stakeholder engagement and sustainability efforts must embrace transparency, collaboration, and adaptability. Rather than using social media as a one-way communication tool, firms can achieve greater legitimacy and social responsibility impact by fostering interactive, stakeholder-driven conversations.

Case Study 15: Can Accreditation Help a Leopard Change Its Spots? Social Accountability and Stakeholder Engagement in Business Schools

Accreditation has become an essential tool for business schools seeking legitimacy, but it also has the potential to drive institutional change by encouraging ethics, social responsibility, and sustainability in higher education. The case study "Can Accreditation Help a Leopard Change Its Spots? Social Accountability and Stakeholder Engagement in Business Schools" (Cooper, Parkes & Blewitt, 2014) explores whether accreditation can foster stakeholder engagement and sustainability in business schools, with a specific focus on Aston Business School in the UK.

Stakeholder engagement plays a critical role in how business schools adopt and integrate sustainability principles. The study, grounded in neo-institutional theory, suggests that accreditation creates institutional contradictions and pressures that force institutions to adapt to new social and ethical expectations. Accrediting bodies like AACSB, EQUIS, and AMBA increasingly require business schools to engage with stakeholders and incorporate sustainability, ethics, and social responsibility into their curricula. However, while these requirements encourage change, accreditation alone is not enough it requires the support of powerful interests within the institution to drive meaningful transformation.

The study highlights how Aston Business School used accreditation as a strategic lever to incorporate sustainability-focused education. Accreditation pressures led to new governance structures, including an Advisory Board with external stakeholders, and the integration of social responsibility and sustainability into curriculum design. The school also signed the Principles for Responsible Management Education (PRME) initiative, further embedding sustainability principles into teaching and research. However, while accreditation fostered change, internal leadership, and faculty engagement were crucial in ensuring these initiatives were more than symbolic.

Despite these positive changes, the study identifies key governance challenges. Many business schools treat accreditation as a compliance exercise, adopting surface-level CSR initiatives rather than truly embedding them into institutional culture. Faculty resistance and disciplinary silos where business school departments remain focused on traditional financial and managerial metrics also hinder sustainability integration. Moreover, accreditation pressures alone do not always translate into genuine institutional reform unless accompanied by internal champions and strategic commitment.

This case study underscores the dual role of accreditation as both a legitimacy-seeking tool and a potential driver of meaningful change in business education. While accreditation pressures can push schools toward greater stakeholder engagement and sustainability, long-term success depends on institutional commitment, leadership buy-in, and ongoing accountability. For business schools to genuinely contribute to ethical and sustainable management education, they must move beyond compliance-driven approaches and integrate social responsibility into their core identity and governance structures.

Case Study 16: Managing Social Innovation in For-Profit Organizations: The Case of Intesa Sanpaolo

Intesa Sanpaolo (ISP) is one of Italy's leading banks, with a strong market presence in retail, corporate, and wealth management. Established in 2007 through the merger of Banca Intesa and Sanpaolo IMI, the bank operates not only in Italy but also in Central-Eastern Europe, the Middle East, and North Africa. Over the years, Intesa Sanpaolo has actively integrated Corporate Social Responsibility (CSR) into its business strategy, positioning itself as a leader in financial services with a commitment to social innovation.

Intesa Sanpaolo has adopted a multi-stakeholder engagement approach, involving clients, NGOs, universities, and non-profit organizations to co-develop social innovation projects. The bank established the Bank and Society Laboratory, a specialized unit dedicated to social innovation, which operates independently from the bank's commercial functions. Through structured stakeholder forums and partnerships with civil society organizations, ISP has successfully identified and addressed financial exclusion and social inequalities, particularly for vulnerable populations such as immigrants, unemployed individuals, and social enterprises.

ISP has made social innovation a core element of its CSR strategy, focusing on financial inclusion. Key initiatives include:

- **BRIDGE Project:** A university loan program that provides credit to students based on academic performance, rather than traditional financial guarantees.
- **PAN Project:** Funding for high-quality social enterprise nurseries.
- **NOVA+ Project:** Support for innovation in Small and Medium Enterprises (SMEs).
- **PRIMI Project:** Financial assistance for immigrant entrepreneurs.
- **SPIN Project:** Investment in sports infrastructure managed by non-profit organizations.

These projects leverage open innovation principles, engaging external partners to ensure sustainable financial solutions. ISP has also integrated CSR into its governance framework, employing CSR Delegates within different departments to ensure that sustainability goals are embedded at all levels of the organization.

Despite ISP's strong commitment to CSR, several governance challenges persist:

- **Balancing Profitability with Social Innovation:** Many of ISP's financial products target underserved communities, requiring new risk assessment models and innovative financing mechanisms.
- **Structural Ambidexterity:** While the Bank and Society Laboratory operate independently, integrating its projects into ISP's mainstream business remains complex.
- **Stakeholder Trust and Engagement:** Some stakeholders perceive social innovation efforts as a branding strategy rather than a genuine commitment to social change.
- **Scalability and Long-Term Impact:** Ensuring that social innovation projects remain financially sustainable without external subsidies is a continuous challenge.

This case study demonstrates how for-profit organizations can successfully manage social innovation by integrating CSR into their business models, creating independent innovation units,

and fostering open partnerships with non-profits and civil society organizations. However, for social innovation to be truly transformative, companies must balance commercial interests with a deeper commitment to long-term societal impact.

Case Study 17: Integrating Social License and Social Impact Assessment in Resource Extraction Projects

This case study examines a large coal-seam gas (CSG) project in Australia, exploring how the concepts of social license to operate (SLO) and social impact assessment (SIA) interact in the extractive industry. The project covers a vast region, affecting multiple towns, landowners, local governments, and businesses. As resource extraction projects often lead to environmental and social disruptions, companies are required to conduct social impact assessments and engage with stakeholders to maintain public trust and legitimacy.

Stakeholder engagement in this case involved landholders, government representatives, business groups, environmental organizations, and Indigenous communities. Interviews with 37 stakeholders revealed that community perceptions were shaped by two major narratives:

1. **Impact Narratives:** Focused on concerns about water security, environmental risks, and socio-economic trade-offs.
2. **Relationship Narratives** – Related to trust in company personnel, fairness in negotiations, and the perceived ability to influence company decisions.

Stakeholders acknowledged both the positive and negative impacts of the project, leading to divided opinions on whether to support or oppose the industry. While some saw economic benefits, such as job creation and business growth, others worried about water contamination, land degradation, and lack of long-term sustainability.

The coal-seam gas company employed several strategies to build trust and manage social and environmental concerns:

- **Community investment programs:** Funding local infrastructure, education, and health services.
- **Employment initiatives:** Offering jobs and training for local workers.
- **Environmental monitoring:** Conducting assessments on water usage and emissions.
- **Stakeholder dialogue:** Establishing forums and community consultation processes.

However, many landowners and community members remained skeptical, particularly regarding the company's transparency and long-term environmental commitment.

One of the biggest governance challenges was trust-building. Many stakeholders trusted individual company representatives but remained wary of corporate management and decision-making. Other challenges included:

- **Perceived lack of influence:** Many stakeholders felt that major corporate decisions were made without meaningful community input.

- Uncertainty about long-term environmental impact: Stakeholders were particularly concerned about groundwater depletion and contamination.
- Economic trade-offs: While some communities benefited financially, others felt excluded from economic gains and saw rising costs of living and labor shortages as unintended consequences.

This case study demonstrates that a company's ability to maintain its social license depends not only on mitigating environmental and social risks but also on fostering meaningful relationships with stakeholders. By integrating social impact assessment with ongoing community engagement, companies in the extractive industry can improve transparency, trust, and long-term sustainability.

Case Study 18: Enhancing Corporate Environmental Performance Through Reporting and Roadmaps

This case study examines corporate environmental performance in the UK food retail sector, a highly influential industry due to its economic impact and environmental footprint. UK food retailers are responsible for a significant share of the country's greenhouse gas (GHG) emissions, making their sustainability reporting and decarbonization strategies crucial for broader environmental goals. The research, conducted by Imperial College London, explores how companies can improve their carbon footprint management by integrating sustainability reporting and low-carbon roadmaps into their governance structures.

Stakeholder engagement is a key driver of environmental sustainability in the food retail sector. Companies face pressure from regulators, policymakers, NGOs, consumers, and supply chain partners to improve environmental performance. The study highlights how sustainability reporting is often inconsistent, with many companies selectively disclosing environmental indicators to enhance corporate image rather than drive real change. Stakeholders, including investors and regulatory bodies, are increasingly demanding transparent, standardized reporting frameworks to hold corporations accountable for their environmental impact.

The study identifies two critical steps in enhancing corporate environmental performance:

1. Sustainability Reporting: Assessing corporate GHG emissions, energy use, waste, and water consumption through comprehensive CSR reports.
2. Low-Carbon Roadmaps: Developing long-term decarbonization strategies using the back casting methodology, a planning approach that sets environmental goals first and works backward to implement necessary actions.

A case study based on a hypothetical UK supermarket chain illustrates how these principles can be applied. The findings show that ambitious carbon reduction targets are achievable if businesses prioritize:

- Energy efficiency measures (e.g., refrigeration optimization, store design improvements).
- On-site renewable energy (e.g., solar panels, biomass boilers).
- Employee and stakeholder engagement to integrate sustainability across operations.

Despite progress in sustainability strategies, governance challenges persist:

- Lack of transparency in corporate environmental reporting, with many companies omitting key performance indicators (KPIs) related to emissions and energy consumption.
- Financial misallocation, where capital is invested in high-visibility green projects (e.g., flagship "eco-stores") rather than cost-effective carbon reduction measures.
- Regulatory inconsistencies, as companies face varying international standards for sustainability reporting, making compliance complex.
- Supply chain complexities, where retailers must collaborate with suppliers and distributors to achieve significant emissions reductions.

This case study highlights that for corporations to effectively reduce their carbon footprint, they must move beyond symbolic environmental efforts and adopt data-driven, transparent, and long-term sustainability strategies. Companies can create a meaningful and measurable impact on environmental sustainability by integrating standardized reporting, robust carbon roadmaps, and stakeholder-driven governance.

Case Study 19: Network Governance and Stakeholder Engagement in Eroski

Eroski is a Spanish consumer cooperative and a key player in the retail industry, particularly in the Basque Country. Founded in 1969 as part of the Mondragón cooperative system, Eroski has grown into one of Spain's leading supermarket chains, with a diversified business model that includes travel agencies, insurance services, and fuel stations. Unlike traditional corporations, Eroski is structured as a self-governing organization, where decision-making is shared between worker-owners and consumer-owners.

Eroski employs a network governance (NG) model, which is characterized by decentralized decision-making and stakeholder representation in governance bodies. Unlike conventional shareholder-driven models, Eroski's governance structure integrates workers and consumers directly into management and supervisory roles. Key stakeholders include:

- Worker-owners: Participate in governance through the Social Council.
- Consumer-owners: Represented in the Consumer Council, ensuring that customers have a voice in decision-making.
- Regulators and external auditors: Oversee compliance and ensure financial transparency.
- The General Assembly of Delegates: Serves as the highest governing body, with equal representation from workers and consumers.

This structure is designed to prevent opportunistic behavior by managers by ensuring a broader distribution of decision-making power, transparency, and accountability.

Eroski integrates corporate social responsibility (CSR) and sustainability initiatives into its governance framework. The cooperative prioritizes:

- Fair labor practices: Ensuring democratic participation in governance and offering worker-owners job security and decision-making influence.

- Sustainable sourcing: Emphasizing responsible purchasing policies for food and consumer goods.
- Community investment: Supporting local businesses, environmental initiatives, and social welfare programs.
- Transparent financial reporting: Employing internal and external audits to maintain financial accountability.

By adopting a network governance model, Eroski aligns its business strategy with cooperative values, social responsibility, and long-term sustainability.

Despite its strengths, Eroski's governance model presents several challenges:

- Balancing efficiency with stakeholder representation: While inclusive, the governance model can slow down decision-making due to the need for consensus.
- Scalability and complexity: The cooperative model is difficult to replicate in large, multinational corporate structures.
- Stakeholder participation limitations: Despite open governance, not all workers and consumers actively engage in decision-making, leading to concerns about representation.
- Market competitiveness: Competing against shareholder-driven corporations requires balancing cooperative principles with economic performance.

The case study highlights network governance as an alternative to traditional corporate structures, demonstrating how stakeholder engagement can improve accountability, prevent managerial opportunism, and enhance long-term sustainability. However, the model's effectiveness depends on active participation, well-defined governance structures, and strong internal communication channels.

Table 6.1: Summary Table of Case Studies

Case Study	Industry	Stakeholders	Sustainability Strategies	Governance Challenges	Comparative Themes
Eroski (Retail Cooperative)	Semiconductor	<ul style="list-style-type: none"> Surviving Relatives Regulators Company leadership 	<ul style="list-style-type: none"> Five years Improvement safety program Victim commemoration 	<ul style="list-style-type: none"> Legal disputes Lack of compensation transparency Stakeholder conflict resolution challenges 	Stakeholder-Led Governance
South Africa Mining Company	Mining	<ul style="list-style-type: none"> Local Communities NGOs Governments Industry 	<ul style="list-style-type: none"> Stakeholder-driven CSR projects Community Engagement 	<ul style="list-style-type: none"> Regulatory Misalignment Sustainability enforcement issues Weak corporate accountability 	Community-Driven CSR Initiatives
University of Bari (Italy)	Higher Education	<ul style="list-style-type: none"> Faculty Students Administration local community 	<ul style="list-style-type: none"> Integration of CSR into education and operations 	<ul style="list-style-type: none"> Weak CSR communication Faculty resistance to engagement Lack of Institutional sustainability commitment 	Sustainability in Education & Academia
Sustainability and Management System	Manufacturing	<ul style="list-style-type: none"> Corporate Governance Board Sustainability committees 	<ul style="list-style-type: none"> ISO standards adoption Risk Management Integration 	<ul style="list-style-type: none"> Complexity in integrating multiple sustainability frameworks misalignment of CSR initiatives. 	Integrated Sustainability Management
Circular Economy Transition Barriers	Food Industry	<ul style="list-style-type: none"> Regulators supply chain partners top executives 	<ul style="list-style-type: none"> Circularity education Stakeholder awareness campaign 	<ul style="list-style-type: none"> Lack of clear circularity indicators Resistance to sustainable change Ineffective stakeholder collaboration. 	Corporate Inertia & Resistance to Change

Thailand's Ao Udom CSR Movement	Petroleum/ Industrial Zone	<ul style="list-style-type: none"> Local communities social movement leaders government 	<ul style="list-style-type: none"> Social welfare fund Collaborative CSR framework 	<ul style="list-style-type: none"> Weak legal enforcement of CSR commitments Voluntary sustainability actions lacking legal backing. 	Social movements and CSR
Pakistan COVID-19 CSR Response	Finance, Telecommunication, Petroleum	<ul style="list-style-type: none"> General Public Customers Regulators Industry 	<ul style="list-style-type: none"> Public Health Awareness Digital financial solutions 	<ul style="list-style-type: none"> Conflict between reactive and proactive disaster response Inconsistent CSR strategies. 	Disaster-driven CSR initiatives
CSR in the Construction Industry	Construction	<ul style="list-style-type: none"> Construction firms Government Employees Communities 	<ul style="list-style-type: none"> Environmental Impact Assessment Labor Practices 	<ul style="list-style-type: none"> Lack of Standardized CSR policies Weak sustainability compliance across industry players 	Collaborative CSR in industry
CSR & Trust in Ghana's Mining Sector	Mining	<ul style="list-style-type: none"> Mining firms Local Communities Regulatory bodies 	<ul style="list-style-type: none"> Stakeholder trust building CSR transparency initiatives 	<ul style="list-style-type: none"> Deep-rooted mistrust between local communities and mining firms Failure to enforce sustainability goals 	Trust & Transparency in Resource Extraction
Ethical Practices in Construction	Construction	<ul style="list-style-type: none"> Contractors Subcontractors Clients Regulators 	<ul style="list-style-type: none"> Ethical Labor practices Sustainable sourcing 	<ul style="list-style-type: none"> CSR often perceived as Greenwashing Lack of regulatory oversight for ethical labor practices 	Ethical Governance in Construction
Algorithm-driven sustainability	Sportswear	<ul style="list-style-type: none"> Investors Sustainability experts Regulators 	<ul style="list-style-type: none"> Fuzzy logic models for prioritizing sustainability 	<ul style="list-style-type: none"> Difficulty in quantifying CSR impact Reliance on data-driven decision-making with subjective criteria 	Data-driven CSR decision-making

Corporate Sustainability & Reporting	Industrial	<ul style="list-style-type: none"> • Employees • Corporate boards • Investors 	<ul style="list-style-type: none"> • Balanced scorecard for sustainability integration 	<ul style="list-style-type: none"> • Balance between financial goals and sustainability commitments • Lack of clear ESG accountability mechanism 	Sustainability Metrics & Corporate Strategy
Tea Industry CSR in Mawali	Agriculture (Tea)	<ul style="list-style-type: none"> • International Buyers • Labor Unions • Regulators 	<ul style="list-style-type: none"> • Fairtrade compliance • Sustainable agriculture practices 	<ul style="list-style-type: none"> • Weak local enforcement of fair trade and CSR standards • Conflicts between voluntary and mandatory compliance 	Ethical Supply Chains & Fair Trade
Social Media & Corporate Legitimacy	Pharmaceuticals	<ul style="list-style-type: none"> • Consumers • NGOs • Investors • Digital Platform 	<ul style="list-style-type: none"> • Interactive social media strategies for legitimacy 	<ul style="list-style-type: none"> • Fragile digital reputation • Corporate social responsibility initiatives perceived as PR stunts 	Digital Engagement and Corporate Legitimacy
Accreditation & Business School CSR	Business Education	<ul style="list-style-type: none"> • Accreditation bodies • Faculty • Students • Administration 	<ul style="list-style-type: none"> • Accreditation-driven sustainability governance 	<ul style="list-style-type: none"> • CSR is driven by compliance rather than stakeholder engagement • Limited real-world impact 	Accreditation-driven institutional change
Social Innovation at Intesa Sanpaolo	Banking	<ul style="list-style-type: none"> • Clients • NGOs • Academia • Social Enterprise 	<ul style="list-style-type: none"> • Independent Innovation units • Financial inclusion programs 	<ul style="list-style-type: none"> • Struggle to balance commercial objectives with meaningful social impact • Sustainability integration issues 	Social Innovation in Banking
Social License in Resource Extraction	Energy/Resource Extraction	<ul style="list-style-type: none"> • Local Communities • Industry • Environmental Activist 	<ul style="list-style-type: none"> • Community investment • Stakeholder consultant forums 	<ul style="list-style-type: none"> • Community resistance to corporate sustainability efforts • Difficulties in aligning environmental compliance 	Social License & Community Relations

Environmental Performance in Retail	Retail (Food)	<ul style="list-style-type: none"> • Consumers • Policymakers • Sustainability auditor 	<ul style="list-style-type: none"> • Standardized sustainability reporting • Low-carbon roadmaps 	<ul style="list-style-type: none"> • Lack of transparency in carbon emissions reporting • Weak corporate accountability in sustainability claims 	Corporate Greenhouse Gas Accountability
Network Governance at Eroski	Retail (Consumer Cooperative)	<ul style="list-style-type: none"> • Employees • Consumers • Cooperative Members 	<ul style="list-style-type: none"> • Democratic governance • Transparency in sustainability 	<ul style="list-style-type: none"> • Scalability issues in cooperative governance • Balancing stakeholder participation with decision-making efficiency 	Cooperative Governance and Social Responsibility

Chapter 7

7. Comparative Analysis

7.1. Introduction: Setting the Context for the Comparative Analysis

Corporate governance plays a crucial role in shaping the interactions between businesses, stakeholders, and sustainability strategies. As industries face increasing pressure to integrate ethical, transparent, and stakeholder-driven governance models, comparative analysis provides a structured approach to identifying best practices, governance failures, and emerging trends across different contexts. This chapter examines 19 case studies by categorizing them into thematic areas, allowing for a deeper understanding of governance structures, stakeholder influence, and sustainability challenges.

7.1.1. Purpose of this Chapter

The goal of this chapter is to compare various corporate governance models, stakeholder engagement strategies, and sustainability initiatives observed in the case studies. Rather than analyzing each case separately, the comparative approach groups them under common governance themes to highlight patterns, variations, and lessons learned.

This analysis builds upon the literature review, content analysis, and stakeholder mapping conducted in previous chapters. The literature review provided theoretical insights into stakeholder theory, legitimacy theory, and ESG frameworks (Cheng, Ioannou, & Serafeim, 2014). The content analysis identified recurring patterns of stakeholder engagement, governance strategies, and corporate sustainability efforts. Stakeholder mapping further outlined the role of key actors in corporate governance using frameworks such as the Power-Interest Grid. This comparative analysis extends these discussions by systematically evaluating how different industries and governance models respond to stakeholder pressures and sustainability demands.

7.1.2. Themes of Comparison

To ensure a structured analysis, this chapter organizes the case studies into seven key comparative themes:

1. **Stakeholder-Driven Governance Models:** Examines how companies integrate stakeholders into decision-making.
2. **Community-Led CSR & Stakeholder Pressure:** Highlights cases where community activism influenced corporate sustainability efforts.
3. **Corporate Governance Failures & Greenwashing:** Analyzes cases of governance breakdowns, ESG misreporting, and reputational risks.
4. **Crisis-Response & Disaster-Driven CSR Strategies:** Evaluate corporate responses to crises such as pandemics and environmental disasters.

5. **Investor & Market-Driven ESG Adoption:** Explores how financial institutions and investor activism shape corporate sustainability practices.
6. **Activism, Regulation & Corporate Accountability:** Investigates cases where social movements, regulations, or legal actions drove governance reforms.
7. **Challenges in Implementing ESG & Sustainability Strategies:** Identifies barriers to effective ESG adoption and corporate sustainability efforts.

7.1.3. Significance of this Analysis

By comparing these cases under structured themes, this chapter contributes to a deeper understanding of:

- The effectiveness of different governance models (cooperative, shareholder-driven, stakeholder-driven).
- How stakeholder engagement influences corporate decision-making and sustainability outcomes.
- The risks and consequences of governance failures, including greenwashing and regulatory non-compliance.
- Best practices for balancing stakeholder interests with corporate objectives.

This comparative approach offers valuable insights into how businesses can enhance governance, accountability, and sustainability performance. The following sections will analyze case studies under each of the seven themes, drawing on evidence from corporate governance theory, stakeholder analysis, and sustainability research.

7.2. Comparative Themes: Structuring the Analysis

7.2.1 Stakeholder-Driven Governance Models

Introduction to the Theme

Stakeholder-driven governance models emphasize inclusive decision-making, where multiple stakeholders such as employees, consumers, and community representatives actively participate in corporate governance structures. Unlike shareholder-centric models, which prioritize financial returns, stakeholder-driven models integrate social, environmental, and ethical considerations into decision-making processes (Freeman, 1984).

This governance approach aligns with stakeholder theory, which argues that corporations must balance the interests of all stakeholders rather than focusing solely on shareholder value (Donaldson & Preston, 1995). Additionally, legitimacy theory suggests that companies adopting inclusive governance structures gain greater public trust and long-term sustainability (Suchman, 1995).

This section examines three case studies that illustrate stakeholder-driven governance models:

- Eroski (Spain): A cooperative retail business with a multi-tiered governance model.
- Intesa Sanpaolo (Italy): A banking institution integrating stakeholder feedback in ESG strategies.
- Schunk Xycarb Technology (Netherlands): A corporate governance case where victims' families influenced workplace safety policies.

Case Study Comparisons

Case 1: Eroski (Spain): A Cooperative Governance Model

Eroski, a Spanish retail cooperative, represents a highly participatory governance model, where both employees and consumers hold voting rights. Unlike traditional corporate structures, Eroski's governance framework consists of:

- Worker and consumer participation in board-level decision-making.
- Advisory councils ensuring stakeholder engagement.
- A cooperative ownership model that prevents managerial opportunism.

The cooperative model enhances stakeholder trust and engagement, ensuring that governance decisions align with long-term sustainability rather than short-term financial performance. However, scaling such inclusive governance structures remains a challenge outside of national markets.

Case 2: Intesa Sanpaolo (Italy): Integrating ESG into Financial Governance

Intesa Sanpaolo, a major Italian banking institution, integrates stakeholder feedback into its ESG (Environmental, Social, and Governance) strategies. This approach reflects the increasing influence of institutional investors and financial institutions in driving corporate sustainability.

Key governance practices include:

- Sustainability committees that incorporate investor and regulatory concerns.
- ESG-linked investment products that align financial performance with sustainability metrics.
- Engagement with community stakeholders to enhance responsible banking practices.

While this model successfully embeds stakeholder engagement into financial decision-making, challenges remain in ensuring transparency in ESG reporting and avoiding greenwashing.

Case 3: Schunk Xycarb Technology (Netherlands): Victims' Families as Corporate Stakeholders

Schunk Xycarb Technology, a semiconductor company, presents a unique case where surviving relatives of workplace accident victims became key corporate stakeholders. After a fatal workplace

accident in 2014, affected families pressured the company to implement safety improvements and influenced national labor regulations.

Key stakeholder-driven governance outcomes:

- Development of a five-year safety improvement program, including annual safety training.
- Integration of victims’ families in governance decisions, influencing workplace safety policies.
- Advocacy efforts leading to national labor law reforms prioritizing safety over punitive fines.

Despite these advancements, initial governance resistance and legal disputes over liability highlight the challenges of stakeholder-driven governance in crisis management.

Table 7.1 Key Findings and Comparative Insights

Factor	Eroski (Spain)	Intesa Sanpaolo (Italy)	Schunk Xycarb (Netherlands)
Governance Model	Cooperative, employee-consumer ownership	Investor-driven ESG integration	Crisis-driven stakeholder governance
Key Stakeholders	Employees, consumers, cooperative members	Investors, regulators. Community partners	Victims’ families, policymakers, labor organizations
Stakeholder Influence Mechanism	Voting rights, advisory councils	ESG-linked investment strategies	Legal actions, regulatory lobbying
Sustainability Impact	Long-term governance alignment with social responsibility	ESG integration in financial decision-making	Workplace safety reforms, labor law challenges
Challenges	Scaling the cooperative model beyond national markets	Transparency in ESG reporting, avoiding greenwashing	Initial corporate resistance, legal complications

Theoretical Linkages and Implications

- **Stakeholder Theory:** All three cases illustrate how stakeholder engagement enhances corporate governance. Eroski’s cooperative model and Intesa Sanpaolo’s ESG strategies align with Freeman’s (1984) view that inclusive governance fosters long-term value creation.
- **Legitimacy Theory:** Schunk Xycarb’s case underscores the role of legitimacy in governance reforms, as external pressure from victims’ families forced the company to adopt ethical labor practices.
- **ESG Governance Trends:** The cases of Intesa Sanpaolo and Eroski demonstrate how financial, and consumer stakeholders drive ESG adoption, reflecting growing investor and regulatory influence in sustainability governance.

Conclusion of this Theme

Stakeholder-driven governance enhances corporate accountability and long-term sustainability. However, implementation challenges vary across industries:

- Cooperative models (e.g., Eroski) offer direct stakeholder control but face scalability issues.
- Investor-driven ESG frameworks (e.g., Intesa Sanpaolo) help mainstream sustainability but require strong governance to prevent greenwashing.
- Crisis-driven governance reforms (e.g., Schunk Xycarb) highlight the importance of external pressure in corporate accountability.

Companies that actively integrate stakeholder perspectives into governance structures tend to achieve greater legitimacy, sustainability, and long-term resilience. However, balancing stakeholder influence with operational efficiency remains a key challenge for businesses adopting participatory governance models.

7.2.2 Community-Led CSR & Stakeholder Pressure

Introduction to the Theme

Corporate Social Responsibility (CSR) is often viewed as a voluntary business strategy, but in many cases, it is driven by external stakeholder pressure rather than proactive corporate initiatives. Community-led CSR refers to situations where grassroots movements, NGOs, and affected local communities influence corporate sustainability commitments. This type of stakeholder activism aligns with legitimacy theory, which argues that corporations must align their actions with societal expectations to maintain credibility and public trust (Suchman, 1995).

While CSR is often associated with corporate philanthropy and sustainability reporting, this section examines case studies where external community pressure played a pivotal role in forcing businesses to adopt ethical and sustainable practices. The case studies analyzed under this theme include:

- **Ao Udom Community (Thailand):** A social movement demanding environmental responsibility from industrial corporations.
- **Pakistan's COVID-19 CSR Response:** Business engagement in public health efforts due to external pressure.
- **South African Mining CSR Initiatives:** Corporate sustainability programs influenced by community demands.

Case Study Comparisons

Case 1: Ao Udom Community (Thailand) – Grassroots Activism and Corporate Accountability

The Ao Udom community in Thailand faced environmental degradation and health risks due to industrial activities in the Eastern Economic Corridor. Dissatisfied with corporate-led CSR initiatives, residents mobilized a social movement to demand greater corporate responsibility. Key governance outcomes:

- Community protests and legal advocacy led to corporate engagement in sustainable practices.
- Formation of the Ao Udom Community Welfare Fund, financed by industrial corporations to compensate affected residents.
- Creation of the Ao Udom Community Charter, a voluntary agreement outlining sustainable business operations.

However, governance challenges persisted:

- The charter lacked legal enforceability, meaning companies could withdraw from commitments at any time.
- Limited financial contributions raised concerns about whether corporate compensations were adequate.

Case 2: Pakistan’s COVID-19 CSR Response: Business Engagement Under Public Pressure

During the COVID-19 pandemic, businesses in Pakistan were expected to support public health efforts, particularly as government resources were strained. A content analysis of corporate social media activities revealed that many businesses engaged in CSR primarily as a reactive response to public pressure rather than proactive commitment.

Financial institutions and telecom companies played an active role in pandemic-related CSR, including:

- Providing digital banking services to limit physical transactions.
- Public health messaging through SMS and call alerts.
- Limited engagement from the petroleum sector, despite its significant economic role.
- Social media activism influenced corporate CSR efforts, as public engagement on COVID-19-related posts exceeded engagement on marketing content.

Governance challenges included:

- Reactive rather than strategic CSR, where businesses prioritized short-term branding rather than long-term crisis preparedness.
- Greenwashing concerns, as some corporations used pandemic-related CSR as a public relations tool rather than a genuine sustainability commitment.

Case 3: South African Mining CSR: Stakeholder Engagement for Sustainable Development

Mining companies in South Africa face increasing scrutiny regarding their social and environmental impact. Community-driven activism and regulatory mandates have pressured mining corporations to integrate sustainable CSR initiatives.

Key governance features:

- Integration of CSR into national development goals, with mining companies aligning their initiatives with Integrated Development Plans (IDPs).
- Investment in infrastructure and community services, such as:
 - Building schools, clinics, and housing.
 - Job creation and skill development programs.
- Community participation in decision-making, particularly in project planning and development.

However, governance challenges persisted:

- Misalignment between corporate CSR efforts and government capacity, limiting long-term sustainability.
- Environmental degradation from mining activities, which sometimes contradicted sustainability commitments.

Table 7.2 Key Findings and Comparative Insights

Factors	Ao Udom (Thailand)	Pakistan COVID-19 CSR	South Africa Mining CSR
Stakeholder Influence	Community protest, legal advocacy	Social media pressure, public health demands	Community involvement, regulatory mandates
Corporate Response	Voluntary welfare fund, sustainability charter	Reactive CSR, digital services	Infrastructure investment, job creation programs
Sustainability Impact	Limited due to lack of enforcement	Temporary CSR, branding-driven	Long-term community development but environmental concerns
Governance Challenges	No legal binding for corporate commitments	Greenwashing, short-term focus	Regulatory alignment, environmental degradation

Theoretical Linkages and Implications

- Legitimacy Theory: All three cases illustrate how businesses respond to societal pressure to maintain legitimacy. The Ao Udom movement and South African mining initiatives show that community activism can force corporate governance changes, while Pakistan’s CSR response reflects how businesses react to public expectations during crises.

- Stakeholder Influence: Unlike investor-driven governance models, these cases demonstrate bottom-up pressure, where local communities and social movements act as primary drivers of corporate responsibility.
- Challenges in Corporate Governance: While stakeholder pressure can drive positive governance changes, these cases also highlight structural limitations in CSR, such as weak enforcement mechanisms and greenwashing risks.

Conclusion of this Theme

Community-led CSR and stakeholder activism are powerful forces in shaping corporate sustainability commitments. Key takeaways from these case studies include:

- Community pressure can influence corporate sustainability policies, particularly when backed by legal action and regulatory engagement (e.g., Ao Udom).
- Public perception plays a major role in corporate CSR decisions, especially in crises where businesses seek to maintain legitimacy (e.g., Pakistan COVID-19 response).
- Aligning corporate CSR efforts with national development plans enhances sustainability outcomes but requires better governance structures to ensure long-term impact (e.g., South African mining CSR).

However, challenges remain:

- Lack of enforcement mechanisms makes voluntary corporate commitments difficult to sustain.
- Short-term, branding-focused CSR efforts risk diluting the long-term impact of sustainability initiatives.
- Regulatory frameworks must ensure that CSR initiatives align with actual stakeholder needs rather than serving as corporate reputation tools.

While businesses often adopt CSR initiatives reactively in response to public pressure, community-driven governance models highlight the potential for stakeholder activism to drive meaningful, long-term corporate sustainability reforms

7.2.3 Corporate Governance Failures & Greenwashing

Introduction to the Theme

Corporate governance failures, particularly greenwashing and ESG misreporting, represent one of the most significant risks to stakeholder trust and sustainability efforts. While many companies publicly commit to ethical governance and sustainability, some fail to align actual business practices with their stated ESG goals. Governance failures often result in financial penalties, reputational damage, and increased regulatory scrutiny (Cheng, Ioannou, & Serafeim, 2014).

This theme explores three case studies where governance failures and greenwashing led to serious consequences for corporations:

- Volkswagen Emissions Scandal: A case of deceptive environmental reporting.
- UK Food Retailers & ESG Practices: Weak corporate governance in sustainability disclosures.
- Tea Industry CSR Challenges: Greenwashing and ethical failures in supply chain management.

These cases highlight the risks associated with misleading sustainability claims and the importance of regulatory enforcement in corporate governance.

Case Study Comparisons

Case 1: Volkswagen Emissions Scandal: ESG Deception and Regulatory Failure

Volkswagen's emissions scandal is one of the most well-documented cases of corporate greenwashing and governance malpractice. In 2015, it was revealed that Volkswagen had intentionally manipulated emissions tests, falsely promoting its diesel vehicles as environmentally friendly while violating emissions regulations.

Key governance failures:

- **Deliberate ESG deception:** The company installed software that altered emissions test results, misleading regulators and consumers.
- **Weak board oversight:** Internal governance structures failed to detect or prevent the fraudulent activity.
- **Severe financial and reputational consequences:** Volkswagen faced over \$30 billion in fines and settlements, along with significant damage to consumer trust.

Despite subsequent sustainability commitments, the scandal exposed the vulnerability of self-regulated ESG reporting and the need for stronger external auditing mechanisms.

Case 2: UK Food Retailers & ESG Practices: Weak Sustainability Governance

An analysis of UK food retailers' ESG disclosures reveals widespread gaps in sustainability governance, with many companies failing to meet their stated environmental and social commitments.

Key governance weaknesses:

- **Superficial ESG reporting:** Many retailers produced glossy sustainability reports but lacked measurable, enforceable sustainability policies.
- **Weak regulatory oversight:** The absence of mandatory ESG disclosure standards allowed companies to exaggerate environmental claims without consequences.

- **Short-term financial priorities:** Many food retailers prioritized cost-cutting, and shareholder returns over sustainable supply chain improvements.

This case highlights the risks of voluntary ESG disclosure models, emphasizing the need for stricter regulatory frameworks and standardized ESG reporting guidelines.

Case 3: Tea Industry CSR Challenges: Greenwashing in Supply Chains

The global tea industry has long faced scrutiny over labor rights violations, unsustainable farming practices, and misleading CSR claims. Despite commitments to fair trade and ethical sourcing, investigations have exposed widespread governance failures in worker exploitation and environmental mismanagement.

Key governance failures:

- **Greenwashing through certification schemes:** Some brands used Fair Trade and Rainforest Alliance labels to signal sustainability without ensuring actual improvements in labor conditions.
- **Lack of supply chain transparency:** Companies struggled to track ESG compliance across complex supply chains, leading to continued human rights violations.
- **Regulatory loopholes:** Weak global oversight allowed companies to market products as ethical despite evidence of exploitation.

The case illustrates how corporate greenwashing in supply chains undermines stakeholder trust, emphasizing the need for stricter accountability mechanisms in global trade.

Table 7.3 Key Findings and Comparative Insights

Factors	Volkswagen Emission Scandal	UK Food Retailers' ESG Practices	Tea Industry CSR Challenges
Type of Governance Failure	Fraudulent ESG reporting	Weak corporate accountability in sustainability	Supply chain greenwashing
Key Issues	Misleading emissions data	Superficial ESG reporting without enforcement	Failure to ensure ethical labor and sustainability standards
Regulatory Responses	Fines, lawsuits, and increased regulatory scrutiny	Calls for stricter ESG reporting regulations	Weak international reporting of sustainability claims
Reputational Impact	Major consumer distrust and brand damage	Erosion of investor and consumer confidence	Growing skepticism towards ethical certification schemes

Theoretical Linkages and Implications

- **Legitimacy Theory:** These cases demonstrate how companies lose legitimacy when they prioritize deceptive ESG strategies over genuine sustainability efforts (Suchman, 1995).
- **Agency Theory:** Volkswagen's scandal highlights conflicts between corporate executives and shareholders, where short-term profit motives led to long-term governance failures (Jensen & Meckling, 1976).
- **Regulatory Governance:** The UK food and tea industries illustrate how voluntary ESG reporting fails without legal enforcement, supporting the push for mandatory sustainability regulations (Cheng et al., 2014).

Conclusion of this Theme

Governance failures and greenwashing expose the **limitations of self-regulated ESG models**, showing that:

- Misleading ESG reporting leads to severe reputational and financial consequences (e.g., Volkswagen).
- Weak governance structures enable companies to make exaggerated sustainability claims (e.g., UK food retailers).
- Global supply chain complexity allows greenwashing to persist without clear enforcement (e.g., tea industry CSR failures).

Stronger regulatory oversight, independent ESG audits, and stricter sustainability disclosure requirements are essential for preventing governance failures and rebuilding stakeholder trust.

7.2.4 Crisis-Response & Disaster-Driven CSR Strategies

Introduction to the Theme

Corporate responses to crises, disasters, and emergencies are critical tests of governance structures, stakeholder engagement, and CSR effectiveness. While some companies integrate proactive disaster preparedness strategies, others engage in reactive, short-term CSR efforts to mitigate reputational risks.

According to stakeholder theory, companies that prioritize long-term stakeholder engagement tend to perform better during crises, while those that focus only on short-term financial goals struggle to maintain legitimacy (Freeman, 1984). Additionally, legitimacy theory suggests that companies must align their crisis responses with public expectations and regulatory demands to avoid reputational damage (Suchman, 1995).

This theme examines how different companies handled crisis-driven CSR, analyzing:

- The University of Bari (Italy) and Disaster-Driven Sustainability Strategies
- Pakistan's Corporate Response to the COVID-19 Pandemic
- Ghanaian Mining Industry and Crisis-Driven CSR Efforts

These case studies highlight the challenges and opportunities of corporate crisis management, showing how companies either succeeded or failed in aligning stakeholder engagement with long-term sustainability strategies.

Case Study Comparisons

Case 1: The University of Bari (Italy): Disaster-Driven Sustainability Strategies

The University of Bari integrated sustainability-driven CSR strategies into its governance framework, particularly in response to climate change and environmental risks.

Key crisis-response governance strategies:

- **CSR integrated into disaster preparedness:** The university incorporated sustainability education, research, and green campus initiatives to mitigate environmental risks.
- **Community and student stakeholder engagement:** The institution involved students, faculty, and local communities in shaping sustainability goals.
- **Sustainability reporting and transparency:** The university used CSR disclosures to demonstrate accountability in governance practices.

However, challenges included:

- Limited institutional alignment, as CSR initiatives were often fragmented across departments.
- Insufficient funding for long-term disaster resilience, which weakened the impact of sustainability efforts.

Case 2: Pakistan's Corporate Response to the COVID-19 Pandemic

The COVID-19 crisis forced businesses in Pakistan to engage in emergency-driven CSR, but responses varied significantly across industries.

Key governance outcomes:

- Banks and telecom firms led proactive responses, including:
 - Digital banking solutions to reduce physical interactions.
 - SMS and automated calls promoting public health awareness.
- Petroleum companies provided minimal engagement, revealing inconsistencies in corporate responsibility during crises.
- Social media became a key stakeholder engagement tool, with public pressure influencing corporate CSR decisions.

Governance challenges:

- Many businesses treated CSR as a short-term PR tool, rather than a strategic governance priority.

- Lack of proactive disaster planning meant that most CSR efforts were reactive rather than preventive.

Case 3: Ghanaian Mining Industry and Crisis-Driven CSR

Ghana’s mining sector has historically faced environmental and social crises, requiring companies to implement CSR initiatives in response to community demands.

Key governance outcomes:

Corporate investments in community resilience, including:

- Building schools and healthcare centers.
- Infrastructure projects to support affected regions.

Regulatory engagement, where companies were required to align CSR with government sustainability mandates.

Stakeholder participation in crisis planning, ensuring that local communities had a say in corporate responses.

Challenges:

- CSR efforts were often reactive, responding to disasters after they occurred rather than implementing preventive governance measures.
- Environmental damage from mining activities continued despite CSR commitments, highlighting weak enforcement mechanisms.

Table 7.4 Key Findings and Comparative Insights

Factors	University of Bari (Italy)	Pakistan COVID-19 CSR Response	Ghanaian Mining Industry CSR
Governance Model	Institutional sustainability integration	Reactive corporate CSR efforts	CSR aligned with regulatory mandates
Stakeholder Engagement	Students, faculty, local communities	Public pressure via social media	Local communities and regulators
Crises-Response Strategy	Sustainability-driven resilience planning	Short-term pandemic relief measures	Infrastructure investments, education, and health programs
Challenges	Limited funding, fragmented initiatives	Greenwashing risks, lack of long-term planning	Continued environmental degradation, weak enforcement

Theoretical Linkages and Implications

- **Stakeholder Theory:** The University of Bari and Ghanaian mining cases show that companies and institutions perform better in crisis scenarios when they integrate stakeholders into long-term governance planning (Freeman, 1984).
- **Legitimacy Theory:** The Pakistan COVID-19 CSR response illustrates how companies react to public expectations, often using CSR as a tool for maintaining legitimacy rather than a genuine governance strategy (Suchman, 1995).
- **Regulatory Governance:** The Ghanaian mining industry demonstrates how strong regulatory frameworks can drive corporate sustainability, though weak enforcement mechanisms still pose challenges.

Conclusion of this Theme

Crisis-driven CSR provides an opportunity for companies to strengthen stakeholder relationships and enhance governance transparency. Key takeaways include:

- Long-term sustainability integration leads to better crisis resilience (e.g., University of Bari).
- Social media and public pressure influence corporate governance responses, especially in emergencies (e.g., Pakistan COVID-19 CSR).
- Regulatory frameworks can improve crisis-driven CSR, but weak enforcement leads to continued governance failures (e.g., Ghanaian mining industry).

However, challenges remain:

- CSR efforts are often short-term and reactive, rather than proactive and strategic.
- Some companies use crisis-response CSR as a branding tool, rather than a genuine commitment to sustainability.
- Regulatory enforcement needs to be strengthened to ensure CSR commitments translate into long-term governance improvements.

Companies that integrate stakeholder-driven sustainability strategies before crises occur tend to have stronger corporate resilience and governance structures, while those that rely on short-term CSR solutions face reputational and operational risks.

7.2.5. Investor & Market-Driven ESG Adoption

Introduction to the Theme

The role of investors and financial markets in shaping Environmental, Social, and Governance (ESG) policies has grown significantly over the past two decades. Unlike community-led CSR (where stakeholders apply external pressure through activism), investor-driven ESG adoption is characterized by financial institutions, asset managers, and shareholders leveraging capital to enforce sustainability measures (Cheng, Ioannou, & Serafeim, 2014).

The shift toward market-driven sustainability aligns with agency theory, which highlights how financial incentives influence corporate governance decisions (Jensen & Meckling, 1976). Additionally, stakeholder theory suggests that investors increasingly prioritize ESG compliance, as companies with stronger sustainability records often deliver better long-term financial performance (Freeman, 1984).

This section examines three case studies illustrating **how investors and financial markets influence corporate ESG adoption**:

- **BlackRock’s ESG Activism:** Institutional investors driving sustainability in financial markets.
- **Intesa Sanpaolo (Italy) and Sustainable Finance:** A banking sector case of ESG integration.
- **Nestlé’s Sustainability Commitments:** Investor-driven accountability in corporate ESG strategies.

These cases highlight the growing influence of **financial institutions and market-driven governance models** in promoting corporate sustainability.

Case Study Comparisons

Case 1: BlackRock’s ESG Activism: Investor Pressure for Sustainability

BlackRock, the world’s largest asset manager, has been a major proponent of ESG investing, influencing corporate governance through capital allocation strategies.

Key governance mechanisms:

- Proxy voting and shareholder resolutions: BlackRock pressures corporations to adopt sustainability and diversity policies by using its voting power.
- Divestment from non-compliant companies: The firm has withdrawn capital from businesses failing to meet ESG standards, reinforcing financial accountability.
- Annual ESG reporting requirements: Companies in BlackRock’s portfolio are required to disclose sustainability metrics to retain investor confidence.

Challenges:

- ESG commitments sometimes conflict with financial returns, leading to internal tensions between sustainability and profitability goals.
- Criticism of “greenwashing”, as some argue that BlackRock’s ESG activism is more about branding than actual governance reforms.

Case 2: Intesa Sanpaolo (Italy): ESG Integration in Financial Governance

Intesa Sanpaolo, one of Italy’s leading banks, has integrated sustainable finance strategies into its corporate governance framework, aligning banking operations with ESG principles.

Key ESG governance features:

- Sustainability-linked loans, where corporate clients receive preferential interest rates for meeting ESG targets.
- Green bond issuance, directing capital into projects that support climate action and social development.
- Sustainable investment funds, ensuring that retail and institutional investors have access to ESG-compliant financial products.

Challenges:

- Difficulties in ESG impact measurement, as defining success in sustainable finance remains complex.
- Market skepticism about green finance, with concerns that ESG-linked financial instruments lack regulatory standardization.

Case 3: Nestlé's Sustainability Commitments: Investor Accountability in ESG Implementation

Nestlé has been under strong investor scrutiny to improve its sustainability performance, particularly in areas like water conservation, plastic waste, and ethical sourcing.

Key governance improvements:

- Investor-driven sustainability goals, including commitments to carbon neutrality and deforestation-free supply chains.
- ESG integration into executive compensation, linking CEO bonuses to sustainability performance indicators.
- Enhanced supply chain transparency, with investor-backed sustainability audits to ensure ethical labor and sourcing practices.

Challenges:

- Greenwashing concerns, with some investors questioning whether Nestlé's commitments translate into tangible action.
- Complexity in supply chain monitoring, making it difficult to enforce ESG compliance across global operations.

Table 7.4 Key Findings and Comparative Insights

Factor	BlackRock ESG Activism	Intesa Sanpaolo Sustainable Finance	Nestle’s Sustainability Commitments
Governance Model	Investor-driven proxy voting and divestment strategies	Banking sector integration of ESG finance	Corporate ESG policies influenced by investor pressure
ESG Mechanism	Shareholder activism, sustainability reporting mandates	Green bonds, sustainability-linked loans	ESG-linked executive compensation, supply chain audits
Challenges	The conflict between financial and ESG goals, greenwashing risks	Measuring ESG impact, lack of global standardization	Supply chain transparency, enforcement of sustainability targets

Theoretical Linkages and Implications

- **Agency Theory:** BlackRock’s activism and Intesa Sanpaolo’s sustainable finance strategies illustrate how financial incentives shape governance decisions, reinforcing the alignment between ESG performance and shareholder interests (Jensen & Meckling, 1976).
- **Stakeholder Theory:** Nestlé’s case reflects how investors act as powerful stakeholders, forcing companies to integrate sustainability into governance structures (Freeman, 1984).
- **Regulatory Governance:** The lack of standardization in ESG reporting presents governance risks, emphasizing the need for clearer ESG disclosure requirements (Cheng et al., 2014).

Conclusion of this Theme

Investor and market-driven ESG governance models have significantly influenced corporate sustainability strategies, with key insights including:

- Institutional investors increasingly shape ESG policies through capital allocation and shareholder activism (e.g., BlackRock).
- Financial institutions integrate ESG metrics into investment and lending decisions, promoting market-driven sustainability frameworks (e.g., Intesa Sanpaolo).
- Corporations must align ESG goals with investor expectations, as failure to do so results in financial and reputational risks (e.g., Nestlé).

However, major governance challenges remain:

- Balancing ESG goals with financial performance remains a core challenge for investors and companies.
- The risk of greenwashing persists, as ESG commitments sometimes lack enforceable accountability measures.

- The absence of standardized ESG regulations makes impact assessment and cross-industry comparison difficult.

Investor and market-driven governance models are becoming dominant forces in shaping corporate sustainability. However, stronger regulatory oversight and standardized ESG reporting frameworks are essential to ensure meaningful and transparent ESG adoption.

7.2.6. Activism, Regulation & Corporate Accountability

Introduction to the Theme

Corporate governance is not only shaped by internal decision-making but also by external pressures from social movements, legal actions, and regulatory frameworks. Activism and regulation play a critical role in holding corporations accountable, particularly in cases of ethical misconduct, environmental harm, and social injustices.

According to legitimacy theory, corporations must align with societal expectations and legal standards to maintain public trust (Suchman, 1995). Additionally, institutional theory suggests that companies are pressured to conform to regulatory norms and activist demands to ensure long-term survival (Seo & Creed, 2002).

This theme explores three case studies illustrating how activism, regulatory intervention, and legal action have influenced corporate governance reforms:

- #DeleteUber Movement: A social activism campaign forcing leadership change.
- Volkswagen Emissions Scandal & Regulatory Crackdown: Legal consequences of corporate deception.
- Eroski's Governance Model & Regulatory Adaptation: A proactive example of corporate accountability.

These cases highlight the increasing role of social movements, legal frameworks, and regulatory enforcement in shaping corporate accountability.

Case Study Comparisons

Case 1: #DeleteUber Movement: Social Activism Driving Corporate Reform

The #DeleteUber campaign emerged in response to allegations of workplace misconduct, unethical leadership, and regulatory violations, forcing the company into a governance crisis.

Key governance outcomes:

- Public pressure led to executive resignations, including CEO Travis Kalanick.
- Board-level governance reforms, introducing independent directors to oversee ethical compliance.

- Workplace culture overhaul, with new diversity and anti-harassment policies to restore public trust.

Challenges:

- Initial resistance to change, as Uber’s leadership was slow to respond to reputational damage.
- Long-term governance impact remains uncertain, as shareholder-driven governance conflicts persist.

Case 2: Volkswagen Emissions Scandal: Regulatory Crackdown and Legal Action

The Volkswagen emissions scandal remains one of the most significant cases of corporate governance failure leading to regulatory intervention.

Key governance consequences:

- Legal penalties exceeding \$30 billion, including fines and class-action settlements.
- Increased emissions regulations, forcing automakers to adopt stricter environmental compliance.
- Board restructuring and leadership change, with new governance policies for ethical oversight.

Challenges:

- Reputational damage persisted, despite corporate governance reforms.
- Greenwashing concerns remained, as Volkswagen struggled to rebuild stakeholder trust.

Case 3: Eroski’s Governance Model: Regulatory Adaptation for Stakeholder Inclusion

Unlike Uber and Volkswagen, Eroski represents a proactive case of regulatory compliance and stakeholder-driven governance.

Key governance mechanisms:

- Multi-tiered governance structure, integrating employee and consumer representation.
- Compliance with cooperative regulations, ensuring financial transparency and accountability.
- Stakeholder engagement in governance decisions, preventing opportunistic management behavior.

Challenges:

- Scalability of cooperative governance models, as expansion beyond national markets remains difficult.

- Balancing stakeholder participation with operational efficiency, requiring continuous governance adaptation.

Table 7.5 Key Findings and Comparative Insights

Factors	#DeleteUber Movement	Volkswagen Emission Scandal	Eroski's Governance Model
Type of Governance Influence	Social activism and consumer pressure	Regulatory and legal intervention	Cooperative regulatory compliance
Key Governance Changes	CEO resignation, ethical policy reforms	Legal penalties, emission compliance mandates	Multi-stakeholder decision-making
Challenges	Resistance to uniform, long-term governance impact unclear	Greenwashing risks, reputational damage	Difficulty in scaling the governance model beyond local markets

Theoretical Linkages and Implications

- **Legitimacy Theory:** The #DeleteUber movement and the Volkswagen scandal illustrate how companies lose legitimacy when they fail to align governance with societal expectations (Suchman, 1995).
- **Institutional Theory:** Regulatory interventions in Volkswagen's case show how legal frameworks shape corporate governance, reinforcing compliance with environmental and ethical mandates (Seo & Creed, 2002).
- **Stakeholder Theory:** Eroski's model demonstrates the effectiveness of stakeholder-driven governance, where cooperative structures promote ethical business practices (Freeman, 1984).

Conclusion of this Theme

Corporate governance is increasingly shaped by activism, legal accountability, and regulatory mandates. Key takeaways include:

- Social movements can force governance changes, as seen in #DeleteUber.
- Regulatory intervention remains essential in preventing corporate misconduct, as seen in the Volkswagen emissions scandal.
- Proactive governance models that integrate stakeholder participation lead to stronger corporate accountability, as demonstrated by Eroski.

However, challenges persist:

- Corporate resistance to activism-driven governance reforms can delay necessary changes.
- Greenwashing risks undermine regulatory effectiveness, requiring stronger enforcement mechanisms.

- Scaling stakeholder-driven governance models remains complex, limiting their adoption in global markets.

Corporate accountability is no longer just an internal governance matter—social movements, legal action, and regulatory frameworks increasingly dictate how businesses must operate. Companies that proactively align with stakeholder expectations and legal standards are more resilient to governance crises.

7.2.7. Challenges in Implementing ESG & Sustainability Strategies

Introduction to the Theme

While ESG (Environmental, Social, and Governance) strategies have gained global traction, many corporations struggle to effectively implement sustainability initiatives due to regulatory barriers, financial constraints, market-driven challenges, and stakeholder conflicts. Despite growing investor pressure for sustainability, corporate ESG adoption often faces operational inefficiencies, lack of standardization, and enforcement limitations (Cheng, Ioannou, & Serafeim, 2014).

According to institutional theory, organizations adapt to external pressures from investors, regulators, and societal expectations, but institutional constraints and industry-specific challenges limit the depth of ESG integration (Seo & Creed, 2002). Additionally, stakeholder theory highlights conflicts between different stakeholder groups, where corporate decision-makers must balance profitability with ESG compliance (Freeman, 1984).

This theme examines three case studies where ESG implementation faced significant barriers:

- South African Mining Industry: Struggles with ESG Implementation
- Circular Economy Barriers in Corporate Sustainability
- University of Bari (Italy): ESG Challenges in Higher Education

These cases illustrate sector-specific difficulties in adopting sustainable governance models, highlighting common ESG roadblocks across industries.

Case Study Comparisons

Case 1: South African Mining Industry: Struggles with ESG Implementation

The mining sector in South Africa faces structural challenges in ESG adoption, as extractive industries inherently involve environmental degradation and labor rights concerns.

Key ESG challenges:

- Regulatory compliance struggles, as weak enforcement mechanisms fail to ensure sustainability commitments.
- High operational costs for sustainable mining practices, limiting ESG investment.

- Community resistance due to past environmental and labor violations, creating trust deficits between corporations and local stakeholders.

Despite corporate ESG pledges, sustainability remains secondary to profit-driven decision-making, as investor expectations often conflict with long-term ESG commitments.

Case 2: Circular Economy Barriers in Corporate Sustainability

Many corporations are transitioning toward a circular economy model, which emphasizes waste reduction, resource efficiency, and sustainable production. However, industries face several structural challenges in circular economy adoption.

Key governance obstacles:

- Lack of regulatory standardization, with inconsistent policies on waste management and recycling.
- High costs of transitioning from linear to circular production models, making ESG adoption financially difficult for businesses.
- Consumer demand inconsistencies, where market interest in sustainable products does not always translate into profitability.

These barriers show that circular economy models require stronger regulatory incentives and financial support mechanisms to drive widespread corporate adoption.

Case 3: University of Bari (Italy): ESG Challenges in Higher Education

The University of Bari's sustainability strategies demonstrate how academic institutions struggle with ESG implementation, despite commitments to green campus policies and sustainable education.

Key sustainability challenges:

- Fragmented ESG policies, as different departments lack centralized sustainability governance.
- Insufficient funding for long-term sustainability projects, limiting the university's ability to implement large-scale ESG initiatives.
- Bureaucratic inefficiencies, where governance bottlenecks delay sustainability decision-making.

These challenges highlight that ESG adoption in non-corporate sectors requires structural governance improvements and external funding support.

Table 7.6 Key Findings and Comparative Insights

Factor	South African Mining Industry	Circular Economy Adoption	University of Bari (Italy)
ESG Challenges	Weak regulatory enforcement, high sustainability costs, stakeholder conflicts	Lack of standardization, financial feasibility concerns	Governance fragmentation, funding limitations, bureaucratic inefficiencies
Main ESG Barriers	Industry-specific environmental and labor challenges	Economic constraints, policy inconsistencies	Institutional bottlenecks, lack of ESG funding
Governance Weaknesses	Short-term profit focus over long-term sustainability	Market-driven ESG limitations	Lack of centralized sustainability oversight

Theoretical Linkages and Implications

- **Institutional Theory:** The South African mining and circular economy cases illustrate how institutional constraints limit ESG adoption, requiring policy harmonization and financial incentives to drive change (Seo & Creed, 2002).
- **Stakeholder Theory:** The University of Bari case highlights how competing stakeholder priorities within institutions create ESG governance challenges, requiring clearer sustainability leadership (Freeman, 1984).
- **Regulatory Governance:** In all three cases, weak enforcement and policy fragmentation hinder ESG implementation, demonstrating the need for standardized ESG regulatory frameworks (Cheng et al., 2014).

Conclusion of this Theme

Despite growing corporate commitments to ESG, several challenges prevent effective sustainability integration. Key takeaways include:

- Regulatory standardization is essential: Without clear ESG policies and enforcement mechanisms, corporate sustainability efforts remain inconsistent (e.g., South African mining industry).
- Financial feasibility is a major barrier: ESG transitions require significant investment, making them difficult for businesses facing short-term profit pressures (e.g., circular economy adoption).
- Institutional governance bottlenecks slow down ESG efforts: Organizations must streamline sustainability governance to avoid fragmentation and inefficiency (e.g., University of Bari).

However, challenges remain:

- Lack of ESG accountability allows companies to make superficial commitments without enforcement mechanisms.

- Short-term financial incentives often conflict with long-term sustainability goals, making ESG less appealing to profit-driven businesses.
- Regulatory inconsistencies across industries and regions make ESG adoption complex and uneven.

ESG adoption requires stronger regulatory governance, financial support mechanisms, and institutional alignment to overcome key implementation barriers. Without structural reforms, sustainability strategies risk being ineffective or superficial.

7.3. Key Takeaways & Patterns Across Case Studies

After analyzing all seven comparative themes, key governance patterns emerge:

7.3.1 Common Patterns in ESG Governance

- Stakeholder-driven governance models enhance sustainability (e.g., Eroski, Intesa Sanpaolo).
- Investor pressure is a powerful driver of ESG adoption (e.g., BlackRock, Nestlé).
- Social activism and legal interventions are crucial for corporate accountability (e.g., #DeleteUber, Volkswagen).

7.3.2 Recurring Challenges in Corporate Governance

- Greenwashing and weak ESG enforcement reduce corporate accountability (e.g., Volkswagen, UK food retailers).
- Financial constraints limit ESG adoption, especially in high-cost industries (e.g., mining, circular economy).
- Regulatory inconsistencies create governance fragmentation (e.g., ESG challenges in South Africa and higher education).

7.3.3 Best Practices for Sustainable Governance

- Integrating stakeholder voices into governance models prevents corporate misconduct.
- Stronger ESG enforcement mechanisms reduce reputational and legal risks.
- Financial and policy incentives make sustainability adoption more feasible for businesses.

7.4. Conclusion: How the Comparative Analysis Supports the Thesis

This comparative analysis demonstrates that stakeholder engagement, investor activism, regulatory frameworks, and financial feasibility are the key factors shaping corporate governance and sustainability.

While some companies successfully integrate ESG into governance structures (e.g., Eroski, Intesa Sanpaolo), others struggle with greenwashing, enforcement gaps, and financial trade-offs (e.g., Volkswagen, South African mining).

To create more effective governance models, businesses must:

- Adopt proactive ESG strategies rather than reactive compliance approaches.
- Ensure transparency and accountability in sustainability reporting.
- Align corporate governance with stakeholder expectations and long-term sustainability goals.

Corporate governance and ESG adoption are evolving landscapes. Companies that successfully integrate stakeholder-driven, market-regulated, and legally enforced sustainability frameworks will be more resilient, trustworthy, and financially sustainable in the long run.

Chapter 8

8. Findings & Conclusion

8.1. Introduction

This research set out to explore how stakeholders influence corporate governance and sustainability, addressing a growing need for governance frameworks that incorporate ethical, social, and environmental considerations. By examining stakeholder mapping, content analysis, and case studies across industries, this study has provided a nuanced understanding of stakeholder-driven governance and corporate sustainability strategies.

The findings contribute significantly to corporate governance research and practice by demonstrating the power of stakeholder influence in shaping sustainability initiatives. While traditional governance models often prioritize shareholders, this study highlights the evolving reality where regulators, NGOs, employees, and consumers also exert significant control over corporate decision-making.

This chapter summarizes the research findings about the research questions, discusses theoretical contributions, explores practical implications, acknowledges study limitations, and outlines future research directions.

8.2 Summary of Key Findings

This section systematically presents the key findings of this study.

8.2.1. Most Influential Stakeholders in Corporate Governance and Sustainability

The Stakeholders Mapping & Analysis revealed that stakeholder influence varies based on power, interest, and industry context. Applying Mendelow's Power-Interest Grid, stakeholders were categorized as follows:

- **High Power, High Interest:** Investors and regulators wield significant influence, often shaping corporate governance through financial incentives and regulatory mandates (e.g., BlackRock's ESG activism, SEC regulations).
- **High Power, Low Interest:** Governments and legal authorities establish governance frameworks but may not always engage actively unless prompted by crises or public pressure.
- **Low Power, High Interest:** NGOs, employees, and consumers play a vital role in advocating for sustainability, but their influence depends on mobilization efforts and public perception (e.g., Greenpeace's activism, consumer-driven CSR changes).
- **Low Power, Low Interest:** The public and minor stakeholders have minimal direct influence but can contribute through advocacy movements and market trends.

These insights emphasize that stakeholder influence is not static; power shifts occur due to policy changes, economic pressures, or social activism.

8.2.2 How do stakeholders influence corporate sustainability actions?

The Content Analysis and Case Studies show that stakeholders influence corporate sustainability through multiple mechanisms:

- **Regulatory Pressure:** Governments mandate sustainability reporting and ESG compliance (e.g., EU Corporate Sustainability Reporting Directive).
- **Investor Activism:** Institutional investors demand sustainability through ESG-linked investments and board decisions (e.g., Intesa Sanpaolo's financial governance).
- **Employee & Consumer Influence:** Employees pressure companies through workplace activism (e.g., Google walkouts), while consumers drive ethical business practices through demand shifts (e.g., fair-trade movement).
- **NGO & Social Movements:** Organizations like Greenpeace and community-led activism in Thailand push firms toward sustainable practices through legal action, protests, and media campaigns.

8.2.3 What sustainability initiatives do organizations undertake in response to stakeholder influence?

Companies respond to stakeholder influence by adopting **various sustainability strategies**:

- **Corporate Social Responsibility (CSR):** Many firms invest in community development projects, ethical supply chains, and sustainable sourcing (e.g., South African mining industry CSR).
- **Environmental, Social, and Governance (ESG) Strategies:** Firms integrate ESG considerations into governance, particularly in finance and manufacturing sectors (e.g., Eroski's cooperative model, banking ESG strategies).
- **Sustainability Reporting & Transparency:** Companies increasingly disclose ESG commitments and governance metrics (e.g., the University of Bari's CSR transparency framework).
- **Circular Economy Transitions:** Some industries aim to reduce waste and optimize resource use but face challenges due to corporate inertia (e.g., UK food industry resistance to circular economy models).

8.2.4 How do theoretical insights align with practical examples of stakeholder engagement?

This research supports and, in some cases, challenges key governance theories:

- **Stakeholder Theory (Freeman, 1984):** The case studies strongly validate stakeholder theory, demonstrating that businesses must consider diverse stakeholder interests for long-term success.

- **Legitimacy Theory (Suchman, 1995):** Many firms adopt sustainability primarily due to external pressure rather than internal ethical commitment, aligning with legitimacy theory (e.g., mining companies aligning CSR with national development goals).
- **Agency Theory (Jensen & Meckling, 1976):** While agency theory assumes corporate executives primarily act in shareholder interests, this study reveals stakeholders beyond shareholders (e.g., employees, consumers) increasingly shape governance.

8.3 Theoretical Contributions

How does this research expand existing theories?

- **Strengthens Stakeholder Theory:** Demonstrates multi-tiered stakeholder governance structures as effective governance models.
- **Reinforces Legitimacy Theory:** Shows how corporate legitimacy is contingent upon transparency, ESG compliance, and stakeholder engagement.
- **Challenges Agency Theory:** Reveals that governance is not solely dictated by financial incentives; public and activist pressure also plays a role.

How does this research challenge existing assumptions?

- Some non-traditional stakeholders (e.g., activist groups, digital campaigners) exert greater influence than governance models predict.
- Many corporations engage in sustainability efforts reactively, only when facing external pressure rather than proactive ethical commitment.

8.4 Practical Implications for Corporate Governance

8.4.1 Recommendations for Corporate Leaders

- Proactively engage stakeholders rather than responding reactively to crises.
- Implement multi-tiered governance structures for better inclusivity.
- Enhance transparency in sustainability efforts to avoid greenwashing accusations.

8.4.2 Policy Recommendations for Regulators

- Strengthen ESG compliance regulations to prevent superficial sustainability efforts.
- Mandate stakeholder inclusion in governance decisions through regulatory frameworks.

8.4.3 Best Practices for Stakeholder-Driven Governance

- Adopt participatory governance models (e.g., Eroski's cooperative framework).
- Incorporate stakeholder input in sustainability decision-making.

8.5 Limitations of the Study

- **Dependence on Secondary Data:** Findings are based on existing literature and case studies rather than firsthand stakeholder interviews.
- **Regional Differences:** Stakeholder influence varies by country and industry, limiting the generalizability of findings.
- **Potential Reporting Bias:** Some corporate disclosures may exaggerate sustainability efforts, requiring caution in interpretation.

8.6 Future Research Directions

To build upon this study, future research should:

- Conduct stakeholder interviews for direct insights.
- Apply quantitative analysis to measure stakeholder influence statistically.
- Explore stakeholder influence across different cultural and economic contexts.
- Investigate the role of AI in stakeholder governance and corporate decision-making.

8.7 Final Thoughts

This research highlights a fundamental shift in corporate governance where stakeholders beyond shareholders increasingly dictate corporate strategies. Companies that proactively engage stakeholders, integrate ESG principles, and embrace transparency will thrive in an era of sustainable, ethical, and accountable governance.

The future of corporate governance is stakeholder-driven are corporations ready to adapt?

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