

# **Stakeholder Engagement in Corporate Value Creation and Reporting**

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## **1.0 Introduction**

Stakeholder engagement has become an essential component of strategic business operations, particularly for professional accountants and corporate leaders tasked with navigating complex economic, social, and environmental challenges. Organizations are now expected not just to deliver financial returns but also to foster inclusive, responsible, and sustainable value creation. This requires robust stakeholder dialogue and integrated thinking that aligns with emerging global frameworks such as the IFRS Sustainability Disclosure Standards, the GRI Standards, and Integrated Reporting (IR).

## **1.1 Understanding Stakeholder Engagement**

Stakeholder engagement is the process of involving individuals or groups who are affected by, or can affect, an organization's activities. For professional accountants, this means identifying key stakeholders such as:

- Internal: employees, finance teams, executive management, board members
- External: investors, regulators, clients, NGOs, tax authorities, and local communities

A proactive stakeholder engagement strategy improves transparency, anticipates risks, and strengthens governance. For example, a global firm like PwC actively engages with regulators and clients through ESG reporting dialogues, shaping disclosure trends and compliance expectations.

## **2. Stakeholders Theory**

Freeman (1984), who propounded Stakeholder Theory, described the origins of the stakeholder concept, which was used for the first time at the Stanford Research Institute in 1963; stakeholders were first defined as those groups without whose support the organisation would cease to exist. The SRI researchers included shareowners, employees, customers, suppliers, lenders and society in the list of stakeholders (Lepineux, 2004). His argument was that in order to survive, a company needs its stakeholder groups to give their support to its corporate objectives; and in order to formulate suitable objectives, executives need to take concerns of these stakeholder groups into account (Lepineux, 2004). Freeman (1984) then proposed a broader, now classic definition of the stakeholder concept as any group or individual who can affect or is affected by the achievement of the organisation's objective. Stakeholders' theory has also been defined to include "those whose relations to the enterprise cannot be completely contracted for, but upon whose cooperation and creativity it depends for its survival and prosperity (Slinger & Deakin, 1999).

Stakeholders' theory, using a stakeholder-agency approach, explains specific corporate actions and activities which bother on how relationships with stakeholders are managed by companies in terms of the acknowledgment of stakeholder accountability (Cheng & Fan, 2010; Freeman, Harrison, & Wick, 2007). According to Gray, *et al.* (1997), stakeholders are identified by companies to ascertain which groups need to be managed in order to further the interest of the corporation. Stakeholder Theory suggests that companies would manage these relationships based on different factors such as the nature of the task environment, the salience of stakeholder groups and the values of decision-makers who determine the shareholder ranking process (Donaldson & Preston, 1995). As such, management would tend to satisfy the information demands of those stakeholders that are important to the corporations' ongoing survival so that corporations would not respond to all stakeholders equally (Nasi, Nasi, Philip & Zylidopoulos, 1997). The power of stakeholders and their expectations can change over time so that companies have to continually adapt their operating and reporting behaviours (Deegan, 2001).

In summary, the stakeholder theory views corporations as part of a social system while focusing on the various stakeholder groups within the society

(Ratanajongkol, Davey & Low, 2006). Lepineux (2004) suggested a twofold categorisation of stakeholders, which differentiates between societal stakeholders on the one hand, and business stakeholders on the other. Stakeholders of the first general category are termed societal rather than social for two reasons: firstly, because they are not limited to social groups or institutions, but extended to national and global civil societies, and secondly, because many of the social groups that are part of this category have stakes which concern the whole society. The other general category is termed business stakeholders because all of its constituents have business relations or interests relating to the concerned organization. The next stage of this systematic classification is that of intermediate taxonomy: each of the two general categories may, in turn, be split into three components (Lepineux, 2004).

Thus, societal stakeholders comprise three intermediate categories: global society, national societies, and social groups or institutions. Similarly, business stakeholders include three kinds of actors: shareholders, internal stakeholders, and external business stakeholders. The last classification consists of a developed typology of the stakeholder spectrum. The main societal stakeholders are: global society, civil societies of the countries where a company is located and/or operates, local communities surrounding its establishments (and those neighboring the establishments of its subcontractors, especially in developing countries), international institutions, governments, activist groups, NGOs, civic associations, and the media. The main business stakeholders are shareholders, executives and managers, employees and workers, trade unions, customers, suppliers, subcontractors, banks, investors, competitors, and business organizations.

The stakeholder theory can be used theoretically to explain 'sustainability'. The position advocated by the Stakeholder's Theory is that all stakeholders have the right to be treated reasonably by the organisation. Freeman (1984) defined a stakeholder as 'any group or individual who can affect or is affected by the achievement of the organisation's objectives. These groups or individuals may include employees, customers, suppliers, competitors, banks, investors, governments, non-governmental organisations (NGOs), and may also include the society. The concern of the stakeholder's theory is to ascertain

which stakeholders are more relevant to the organisation; this is very vital to the management of the organisation because it is believed that the success of the organisation in terms of performance is dependent on the support of the stakeholders (Belinda 2015).

The stakeholder's theory is divided into the ethical and managerial aspects; the latter is concerned with identifying the most important amongst the stakeholders to satisfy their desires (Adekanmi 2015). To this aspect of the stakeholder's theory, not all stakeholders in their nature can affect the productivity or performance of an organisation. This implies that more attention needs to be given to the more influential stakeholders such that the influence of the stakeholders is ranked in such a way that more efforts are made to keep a strong relationship with powerful stakeholders. On the contrary the ethical aspect of the stakeholder's theory opines that all stakeholders have the right to obtain adequate and equal treatment by the organisation and that the issue of higher influence of some stakeholders on the organisation is irrelevant; it has been argued that the impact of the organisation on a stakeholder is what should be paramount in this circumstance rather than the economic importance of some stakeholders on the organization. Within the ethical right aspect of the theory, all stakeholders have the right to certain benefits like employment and other social benefits. They also deserve the right to be provided with information on the performance of the organisation and its impact on their society which calls for sustainability reporting.

According to Gray, *et al* (1997), organisations are very silent about how they monitor and respond to the needs of stakeholders. He opined that companies are interested in and respond to the needs of the stakeholders only when they have beneficial interests in the issues raised by the stakeholders. The choice of what information companies would disclose in the financial reports is normally based on the wishes of the most important stakeholders and these stakeholders are the ones whose needs must be met first by the organizations.

Nonetheless, as excellent as the Stakeholder's Theory may sound it is pertinent to note that the stakeholders themselves have varying interests which differ from that of the organisation; therefore, harmonizing these interests is an herculean task. Also the idea of considering the option of influential or more powerful stakeholders is relative because every problem is important to the bearer.

### **3. Identifying the Key Stakeholders**

Obviously, an organization has numerous stakeholders to contend with. However, there are key stakeholders that need to be identified to create the much-needed value. Therefore, it is very important for an organization to have an effective mechanism towards identifying key stakeholders. The following are generally considered key stakeholders:

**3.1 Investors** are generally concerned with financial performance, risk management, and return on investment and therefore a very critical stakeholder that creates value.

**3.2 Customers** are more interested in product quality, customer service and value for money and therefore are top priority in stakeholder management.

**3.3 suppliers** with the following areas of concern: fair pricing, ethical sourcing, and timely payments which require proper and effective management of.

**3.4 Employees** focus on working conditions, career development, and company culture which are very essential in their retention.

### **4. Stakeholders Role in Corporate Value Creation**

Effective engagement contributes to long-term corporate value by:

- Improving Decision-Making: Stakeholders offer insights that inform financial and sustainability strategies.
- Risk Management: Engagement helps flag emerging compliance, reputation, and environmental risks early.
- Innovation: Co-creating solutions with customers and supply chain partners

drives innovation.

- Reputation and Trust: Transparency and collaboration enhance corporate trust capital.

Case Example: Unilever's Sustainable Living Plan was built on stakeholder input, aligning its brand value with sustainability outcomes, leading to a 290% shareholder return from 2009 to 2019.

## **5. Integration in Reporting**

Modern corporate reporting standards demand stakeholder-centric reporting:

- IR: Requires disclosure of how stakeholder relationships impact value creation across capitals.
- GRI Standards: Stakeholder inclusiveness is a core principle for materiality assessments.
- ISSB and SASB: Encourage aligning financial reporting with sustainability information that investors need.

Example: Novo Nordisk's integrated report showcases stakeholder concerns in relation to business model, risk, and governance, providing a holistic view of corporate health.

## **6. Best Practices for Professional Accountants**

Professional accountants can apply the following practices:

- Stakeholder Mapping: Prioritize stakeholders by influence and interest.
- Engagement Strategy: Tailor approaches using interviews, roundtables, and digital tools.
- Continuous Feedback Loops: Move from static annual surveys to dynamic digital platforms.
- Capacity Building: Train internal teams in stakeholder dialogue and materiality.
- Documentation: Record stakeholder inputs and show responsiveness in corporate reports.

Case Example: The Institute of Chartered Accountants in England and Wales (ICAEW) facilitates member engagement through policy consultations and working groups, influencing regulation.

## **7. Challenges and Solutions**

Key challenges include:

- Resource Constraints: Small organizations may lack resources for formal engagement.
- Conflicting Interests: Diverse stakeholders may demand contradictory outcomes.
- Greenwashing Risks: Superficial engagement damages credibility.

### **Solutions:**

- Establish governance for stakeholder dialogue.
- Embed engagement in risk management frameworks.
- Report transparently on stakeholder input and outcomes.

## **8. Conclusion**

For professional accountants, stakeholder engagement is both a responsibility and an opportunity. It supports value creation through better risk awareness, strategic alignment, and enhanced reporting. As stakeholders increasingly demand accountability, those who engage early and authentically will shape future-ready businesses.

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