Impact of stakeholder engagement strategies on managerial cognitive decision-making: the context of CSP and CSR

Salifu Yusif and Abdul Hafeez-Baig

Abstract

Purpose – This study aims to explore the strategies corporations use in engaging stakeholders to sustain healthy corporate partnerships and create value for the corporate entity and the society in which they operate and their influence on the corporate manager’s cognitive abilities and decision-making.

Design/methodology/approach – The authors used an interpretive research approach leveraging the strengths of qualitative method of content analysis and comparative and critical analyses to report the results. Interpretive methods incorporate social theories and standpoints that view reality as the social construction of understandable events in the context of organizational communication.

Findings – The findings of this study suggest that corporations are assumed to follow and execute the principles of engaging stakeholders to achieve corporate social responsibility (CSR) claiming to manage a sustainable and responsible business practices that recognize local cultures, human rights and protect the environment. However, little attention has been paid to the cognitive reasoning of the individuals responsible for CSR and corporate sustainability (CS) as opposed to the growing concerns about strategies corporations use in engaging stakeholders to sustain healthy corporate partnerships and create value – especially the processes that take place during engagement and decision-making including cognitive offloading.

Practical implications – Stakeholder engagement requires practical approaches that enable corporations and individuals charged with decision-making responsibilities to understand, respond and fulfill their CSRs. To achieve CSRs, corporations and managers responsible for relevant decision-making would need to involve stakeholders in social performance planning, as social reporting/auditing has long been advocating for preventing managerial biasness, groupthink and increased information dissemination via detailed reporting practices toward more collaborative stakeholder relationships. Thus, it is crucial for corporations to implement enhanced stakeholder and managerial decision-making strategies such as integrative approaches to achieve balance in the trio elements of sustainability as well as the growing use of paradox perspective to understand the nature of the tensions being sought to balance and, in the process, provide opportunity for a better evaluation of complex sustainability issues for innovative approach to resolving them. While cognitive decision-making is at play, in practice, managers tasked with making decisions must ensure the most effective stakeholder engagement strategies that are transparent and inclusive are used.

Originality/value – The main contribution of this study is its argument regarding the tools corporations use in engaging key stakeholders and the cognitive reasoning of the individuals responsible for CSR and CS. The study further contributes to interpreting the integrative approach to achieving balance in the trio elements of sustainability as well as the growing use of paradox perspective to understand the nature of the tensions being sought to balance and, in the process, provide an opportunity for a better evaluation of complex sustainability issues for an innovative approach to resolving them.

Keywords Corporate social responsibility (CSR), Corporate social partnership (SCP), Stakeholder engagement, Cognitive decision-making, Value creation, Stakeholder

Paper type Literature review

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Introduction

The role of collective capacity and knowledge is becoming more critical in reaching solutions as public, civil and private sector organizations continue to experience pressure to address complex challenges using collaborative actions in the context of varied stakeholder participation and partnership due to the escalation of social problems (MacDonald et al., 2019). The collation of literary sources suggests that economic activities come with the definition of specific relationships between stakeholder groups with effective communication systems and external stakeholder engagement that bring prospective benefits to all parties and stakeholders who have particular expectations regarding various aspects of corporations’ activities, such as economic, social and environmental (Chyhryn et al., 2020), among others. The nonfinancial performance of companies, such as social responsibility, environment and sustainability has gained traction in both academic research and practice (Stocker et al., 2020). For example, as business sustainability differs from social sustainability, demonstrating how business organizations engage with stakeholders to achieve and sustain corporate social partnership (CSP) and corporate social responsibility (CSR) is crucial. This begs questions about the business standpoint and the roles of businesses in society, which could mean businesses using the ethical perspective to business and their accompanying goals (Nonet et al., 2022). The impact of strategies businesses use when engaging key stakeholders remains to be seen. For example, there is a limited understanding of the pros and cons of using web as a component of a communication strategy on corporate performance as limited resources are made available for web-based communication, which tend to impact is potential (Adams and Frost, 2006). Different stakeholder engagement strategies are necessary when engaging with different stakeholder groups, as collaborations with stakeholders contribute to social capital (Marschlich and Ingenhoff, 2021). Stakeholder engagement is essentially a morally neutral practice given it may or may not involve a moral breadth and should be perceived independently but related to corporate responsibility (Greenwood, 2007). The practice of neutral morality demands cognitive decision-making abilities on the part of decision-makers. For example, moral behavior can be enhanced by optimizing “morally neutral” abilities such as cognitive skills and attention span through sociomoral interaction (Pavarini et al., 2018). Thus, the objective of this study is to explore the impact of stakeholder engagement strategies on managerial cognitive decision-making as related to CSP and CSR.

Stakeholder engagement and strategies

Stakeholder engagement is the practice a firm undertakes to involve stakeholders in a transparent and positive manner in the firm’s activities and can include organizational activities and arrangements to involve external stakeholders in the project’s operations or decision-making (Greenwood, 2007). Stakeholder engagement, viewed as corporate responsibility in action, may be understood through multiple theoretical lenses and may be morally neutral, given that it may or may not have moral attributes. Employees, the public and civil society are found to be the most influential stakeholder groups in CSR decision-making (Taghian et al., 2015). The civil society, often thought to be discrete of the economy is an uncoerced associational life distinct from the family and institutions of state (Chambers and Kopstein, 2006). Firms engage these stakeholders in discourse to identify and understand the social and environmental problems that matter most to them and involve them in the process of decision-making. Stakeholder engagement is contended to be, on the one hand, separate from corporate responsibility and, on the other hand, related to it (Greenwood, 2007). Stakeholder groups may differ, depending on the selected matters, approaches and corporate business processes to improve overall businesses and their relationships with stakeholders. Different stakeholder groups require different engagement strategies. A stakeholder engagement strategy recognizes the needs of key stakeholder groups who have interests in a business/project, and the sponsor ensures that those interests are met. However, striking the balance between meeting stakeholder needs and
those of corporations on key matters remain fragile and uncandid. More active stakeholder involvement in both social performance planning and social reporting/auditing has long been pushed for advocating to prevent managerial biasness, intolerance and groupthink (Payne and Calton, 2017). Firms provide two reporting elements which are risks and opportunities, which serve the basis for preparations and presentation (Al Amosh and Mansor, 2021). As such, the strategies used in engaging stakeholders have the potential to impact the managerial cognitive decision-making of the individuals in charge. The development of a continuum of stakeholder engagement strategies that range from increased information dissemination via detailed reporting practices toward more collaborative stakeholder relationships is the aftermath of a growing attention about the creation of focus on stakeholders (Burchell and Cook, 2008).

**Corporate social partnership**

Whereas CSR generally refers to an organization’s effect on society and the call to deal responsibly with the effects on each stakeholder group (Johannes, 2016), CSP is the vehicle for delivering CSR. A partnership brings two or more firms from varying economic sectors to collaborate to resolve social issues within a shared understanding of responsibilities and commitment to resources (Walters and Panton, 2014). Originating as inter-organizational relationships, social partnership are “social problem-solving mechanisms” (Waddock, 1989, p. 79) used in addressing social issues such as health, environment, education and general economic development. This is achieved through the combination of organizational resources to offer solutions that are beneficial to partners as well societies at large (Seitanidi and Crane, 2009). Selsky and Parker (2005) posited three theoretical platforms that serve as foundation for social partnership, namely: social issues, social-sector and resource-dependence platforms. The authors posited that these three platforms account for the varying cognitive beliefs held by personnel involved in ensuring “functional and sustainable” in the context of “sensemaking devices that managers use to envision a partnership project, frame it, and make it meaningful and sensible” (Selsky and Parker (2005) in Walters and Panton (2014), p. 830).

Accordingly, today, all mining and other resource-based corporations, for example, assume to follow and execute the principles of CSR, claiming to operate sustainable and responsible businesses that respect local cultures, respect human rights and protect the environment, while enhancing and promoting development and peace (Gamu and Dauvergne, 2018). At the same time, there are growing concerns about strategies corporations use in engaging with stakeholders to sustain healthy corporate partnerships and create value – especially the processes that take place during engagement and decision-making.

Similarly, practitioner concerns for CSR and stakeholder engagement has grown, prompting operational concerns for business managers regarding CSR implementation and execution of their firm’s obligations to their stakeholder as there has also been a growth in practitioner concern for CSR and stakeholder management (O’Riordan and Fairbrass, 2014).

From an ethical context, constructive stakeholders engagement can be perceived to improve inclusive decision-making, enhance local decision-making and equity and to a large extent, build social capital and sustainable partnership (Mathur et al., 2008). In-person stakeholder engagement is key to delivering value to various stakeholders when consulting for improved partnerships and CSR. Meaningfully, in this context, ex ante literature suggest that competing ideas about the appropriate drive and approaches of engaging stakeholders, which has ended in the development of a much awareness of the need to reconsider the determinants of business and the nature of the firm (O’Riordan and Fairbrass, 2014). However, engaging external stakeholders in ways that add value has
proved difficult both in theory and in practice (Eskerod and Huemann, 2014) where stakeholder conflicts are common (Derakhshan et al., 2019). Thus, the argument that stakeholder engagement is associated with accountable treatment of stakeholder is simplistic (Greenwood, 2007) as well as building trusted relationships.

In addition to building trusted relationships, communication with stakeholders is critical for organizations to obtain feedback about their existing CSR practices (Kucukusta et al., 2019). Communication efforts made in terms of CSR are tasks companies must carry out if they want stakeholders to recognize the work they are doing on the topic. The interactions CSR and stakeholder engagement have underpinned a growing body of scholarship seeking to define and embody engagement (Devin and Lane, 2014).

**Corporate social responsibility**

CSR “is a process with the aim to embrace responsibility for the company’s actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered stakeholders” (Wikipedia, 2014). As opposed to Carroll’s approach, Tamvada (2020) defined responsibility as those that occur while discharging primary function relating to a role. Corporate responsibility is perceived as the responsibility of a corporation to undertake actions that represents the interests of legitimate organizational stakeholders. For example, social reporting is seen as an act of responsibility because it somewhat involves dialogue between a firm and its stakeholders, providing platform for stakeholders to participate in the firm’s activities. While CSR is construed to encompass two fundamental components – business relation and impact relation, which intertwined with legal responsibilities with accountability for that matter (Tai and Chuang, 2014), social responsibility is a duty and obligation to protect, foster, increase and enhance the benefit of stakeholders and social people (Tamvada, 2020). As such, CSR stakeholder engagement strategies including effective communications and other forms of dialogue are key determinants of how stakeholders perceive and evaluate a firm’ CSR response (Riordan and Fairbrass, 2006). With the dawn of the internet, the impact of web technologies to engage with varying stakeholder groups is enormous. For example, internet/information and communication technologies provide the possibility of communicating performance with broader stakeholder groups, especially for reporting business/corporate performance. The internet and other information and communication technologies also offer platforms for rigorous stakeholder engagement activities with diverse stakeholder groups, which may be referred to as participatory CSR. The participatory CSR is a two-way, interactive CSR strategy in which corporations encourage the public to participate in CSR activities through diverse activities, which include attending events, engaging in dialogue activities and following on social media as part of the process of building relationship in cocreating social value (Lee et al., 2020).

Drawing on the formal stakeholder engagement strategy adopted by the Intergovernmental Platform for Biodiversity and Ecosystem Services (Esguerra et al., 2017), stakeholder engagement strategies that enable holistic involvement of relevant stakeholder groups (internal and external) is crucial in developing corporate change strategies that are aimed at enhancing social performance (Adams and Frost, 2006). Managerial research and evidence from managerial scholarship contend that stakeholder involvement as a complex actor endowed with relevant resources including knowledge is a required strategy to improve firms’ performance (Caputo et al., 2018). The adoption of stakeholder engagement strategy is essential for improving CSR and CSP practices, which requires active involvement and engagement of communities, communicating with stakeholders regarding the actions taken to minimize the impact of any adverse impact of business activities on the environment, establishing sharing, partnerships and network-relationships between stakeholders and businesses (Rossignoli and Lionzo, 2018). Evolving relationships with stakeholders, especially in emerging processes for stakeholder engagement, can be
understood by integrating CSR/performance implemented via CSP as a starting point for stakeholder relationships. As stakeholder engagement strategies are based on principles that include but are not limited to dialogues, early involvement and efforts to fulfill the expectations of stakeholders are increasingly becoming inevitable so do their impacts on the cognitive managerial decision-making. Stakeholder engagement at strategic level symbolizes one of the fundamental characteristics that impacts performance of corporations and decision-making process (Hristov and Appolloni, 2022). As the concept of CSR continues to evolve, the challenge facing CSR managers in their effort to balance the differing interests of multiple stakeholders remains an unabating management issue (O’Riordan and Fairbrass, 2014), especially the strategies used in engaging stakeholders which impacts managerial cognitive decision-making based on their cognitive style.

Cognitive reflection, which is the ability of individuals to reflect or question an instinctive response and instead base decision largely on analytical process impact positively on decision-making accuracy. Cognitive reflection encompasses collecting and applying all relevant evidence from sources including available organizational data, data from stakeholder engagement strategies, which include but are not limited to interviews, focus groups and surveys and workshops and expertise can facilitate more accurate decision-making to reduce biases (Criado-Perez et al., 2023).

Corporate sustainability

Corporate sustainability (CS) has gained traction in the last ten years as a notion of a business case in the circles of environmental organizations, corporate sector and consultancies among others to underscore, justify and adopt sustainable strategies (Salzmann et al., 2005). This is because complying with the sustainability development’s requirement remains a high priority for the corporate world as the United Nations’ 2030 Agenda and its Sustainable Development Goals (SDGs) continue to challenge corporations to improve their operations and strategies toward achieving the SDGs (Tsalis et al., 2020).

Neubaum and Zahra (2006) defined CS as the ability of a firm to nurture and support over time by effectively meeting the expectations of diverse stakeholders (p. 121) in the context of ensuring that economic, social and environmental objectives are achieved. While for businesses, this implies brand equity in terms of sustaining economic growth, improved customer relations and satisfaction, shareholder value, corporate reputation and prestige and quality products/services, for the society at large, it means adopting acceptable/sound business practices that considers stakeholders interests – building value for all stakeholders, creating sustainable jobs and adopting strategies that accounts for the needs of the underserved (Szekely and Knirsch, 2005). Although stakeholder theory and legitimacy theory perceive disclosure to be more of reactive response to pressure from social and political circles, the theory of voluntary disclosure emphasizes corporations’ willingness to disclose good news to gain competitive advantage among their competitors, given a commonly positive correlations that exist between finance performance and sustainability (Jacobo-Hernandez et al., 2021). Furthermore, stakeholder theory emphasizes that managers endeavor to ensure the interests of both shareholders and stakeholders are held alive when embarking on new strategies. This emphasis has allowed scholars of CS to extensively use stakeholder theory to expound corporate’s reasons for undertaking CS strategies (Montiel and Delgado-Ceballos, 2014).

Theoretical background – stakeholder engagement

There are several business-stakeholder engagement models. Popular among them are the strategic CSR, corporate philanthropy, corporate social performance and corporate financial performance, among others (Shah and Guild, 2022). However, given the focus of this study, the strategic CSR model is the most appropriate model and given that in the last decade or so, the CSR has gained traction for “dishonor” as corporations respond to two
key changes: increasing public concerns over the environment and the easy access to data and information flow offered by the internet. The CSR is a corporation’s obligation to consider the interests of their differing stakeholders and many corporations have started a variety of sustainable development programs to behoove the demands and expectations of various stakeholder groups. Stakeholder manifestos and their related salience to the firm evolves over time. This is a phenomenon that has gained traction and is well understood in literature. It is important to mention that stakeholder with great influence is capable of changing the direction of stakeholder-dominant direction of stakeholder pressures can also change (Szákely and Knirsch, 2005).

Generally, these sustainability programs entails the triple-bottom line approach, which combines, simultaneously economic, environmental and social dimensions of sustainability and strong sustainability principles (Nikolaou et al., 2019) to produce indicators that can measure the targeted outcomes. More recently, the dimensions of CS contends that it encompasses open system approach, input oriented and perspective alignment (Ivory and Brooks, 2018). While social paradigm measures health and safety, noise, employment, economic dimension accounts for quality, efficiency and responsibility, the environmental component measures emissions, exploitation of natural resources and waste and recycling (Jacobo-Hernandez et al., 2021). One way corporations can do this is by integrating CSR into central business processes and stakeholder management, and corporations can achieve the goal of creating both social value and corporate value. Not only do corporations need to create social and corporate values, but they also need to sustain them through an approach referred to as CS. CS at its essence is an approach for carrying out business activities that result in sustainable, long-term stakeholder and societal value for pursuing responsible environmental, societal and economic strategies.

Firms have now increasingly recognized the relevance of broader societal support and development by engaging in CSR to keep a healthy balance social, environmental and economic aspects of business practice (Osagie et al., 2016). Bowen (2013) defined CSR as “an obligation of the businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of the society.” The implication of Bowen’s definition is one that encourages businesses to create value for the societies in which they operate and beyond (Bowen, 2013). Freidman argues that the primary goal of every business is to create value for its owner or shareholders. While his argument aligns with business goals, majority are those who agree with Bowen, contending that a socially responsible firm is one “whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stakeholder, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and nations” (Johnson, 1971). For example, Lane and Devin (2018) applied the three foundational components of Johnston (2010) process model of stakeholder engagement to the CSR activities of nine Australian firms. Their findings suggested that there was substantial alignment between the theory of stakeholder engagement and the practice of engagement in CSR. The authors further noted as part of their findings that of the seven reports, six emphasized the importance of stakeholder interests as the basis for developing their reports. The authors, however, found no evidence of positioning the antecedents as part of the process of engagement and oversimplification of relationship between motivation for engagement.

Stakeholder engagement and corporate social responsibility

Stakeholder engagement as a concept has been coalesced with “dialogue” as a related concept (Agudo-Valiente et al., 2015). It is a primary moderator between stakeholder network and outcomes from corporate activities (SCR, shared value and social capital) from internal factors, which include but not limited to organizational culture, leadership and
processes – knowledge sharing, value through codesign/-creation of value and collaboration with stakeholders (Rhodes et al., 2014).

According to Onkila (2011), stakeholder and CSR revolves around:

- stakeholder power and addressing stakeholder relationships;
- creating models for stakeholder participation and engagement; and
- the role of the natural environment as stakeholder.

Of interest to this study is the second, how to improve stakeholder participation and engagement, relationships, trust and sustain corporate partnership. Bowen et al. (2010) viewed engagement as a “subset of a firm’s CSR activities” while Morsing and Schultz (2006) perceived it as communication that firms put out about their “ethical and socially responsible activities” (p. 323). It is unclear whether outcomes from stakeholder engagement in the context of the availability of relevant information influence corporate managers’ cognitive abilities in the process of decision-making.

External representations facilitate cognitive offloading and allow individuals to manipulate more information. Theories from a variety of disciplinary perspectives have converged on the importance of external representations such as technologies in enabling group interactions, including research in learning and cognitive sciences on model-based reasoning (Pennington et al., 2018). The latest advances in digital technologies have changed the way companies communicate with their stakeholders (Troise and Camilleri, 2021). From conventional methodologies to online and external thinking tools (ETTs) – typically relying on cognitive offloading. The ETTs model of engagement makes it simpler for organizations to collect information on these otherwise silent stakeholders – be it by identifying multiple stakeholder groups in a high-density area through the comments posted on the engagement webpage, or by validating concerns with an online survey.

However, some organizations and industries alike may be running into trouble with the misconception that online stakeholder engagement tools and other ETTs are sufficient for managing stakeholder engagement strategy and partnerships and delivering on social corporate responsibilities. The ETTs model of engagement for most communities, although appears easy in one context, have several residual impacts, particularly when engaging in highly sensitive matters. They take away the value of in-person engagement/communications especially when it comes nurturing trusted partnerships. The reason is that communicating and engaging face-to-face bring out the reality and perception through language tones, voice inflections and emotions. Things ETTs cannot do. Table 2 below provides summary of key papers.

Cognitive offloading and cognitive bias

A growing literature has advocated for the incorporation of the relations between a person and his/her setting in the definition of cognition (Barrett, 2011; Arnau et al., 2014). For example, Clark and Chalmers (1998) described cognition as “a cohesive system consisting of both internal processes and interactions with the external environment that facilitate performance on cognitive tasks” in (Armitage et al., 2020, p. 1). Cognitive offloading is the use of a physical activity to reduce the cognitive demands of a task. Daily memory bases its functioning on this practice. For example, when we note down to-be-remembered information or use diaries, alerts and reminders to trigger delayed intentions (Boldt and Gilbert, 2019).

Thus, cognitive offloading involves reducing the burden of having to mentally process tasks using an external environment. In this digital age, people tend to depend on technology more. For example, people use smartphones for a lot more than calls and texting – scheduling, set alarms, do calculations, reminder notes and information search, among
others. These activities are remembered using external technology without relying on their internal memories. People remember all these things by using the external technology aid without relying on the internal memory. By using these tools, people offload the pressure and mental efforts and increase their cognitive capacity – this phenomenon is known as cognitive offloading. Depending on where it is applied, cognitive offloading while having positive impact, there is little knowledge about where cognitive offloading is not advisable particularly in tasks that focus on dialogue and interaction, the concept can produce unreliable or inaccurate results leading to unreliable decision-making from cognitive biases.

For example, stakeholder engagement is usually an interactive and more of an experiential process that is premised on actors’ engagement with focal firm but more intensive with other members of the of the stakeholder community where value creation, trust and sustainable partnerships are key and highly sensitive, and requires rather cognitive rationality and integrated thinking. As such there are several potential reasons to not engage in cognitive-offloading, besides short-term efficiency (Weis and Wiese, 2019) could lead to cognitive bias. Psychology and behavioral economics literature contribute to the idea of cognitive bias, which is a systematic error that clouds a decision-maker’s thinking and decision-making (Sultana and Singh, 2021) mainly from institutional forces.

Cognitive biases are a fundamental aspect of human behavior encompassing errors in thinking that have the potential to impact the overall decisions made and acknowledging them can deepen our understanding of organization stakeholders and lead to better approaches to managing stakeholder engagement challenges. They are deviations of predictable rationality (Arnott, 2006). Cognitive biases are prejudiced decision-making in the hindsight in significant decision-making process for a substantial number of people and very much inherent in people and limit decision-makers from considering other’s perspectives. In fact, Walton (1969) even suggested that “when a business organization buys a man’s talent, it also purchase in a real sense the individual’s values, which shape the direction through which these talents will be expressed” (p. 6).

One approach to minimize and avoid cognitive offloading and cognitive biases when engaging with stakeholder is through inclusive decision-making also known as integrated thinking.

This paper systematically investigates question from the perspective of social, behavioral and environmental psychology arguing that the idea of human cognitive biases can be used as a substantive factor in explaining many cases for unsustainable corporate partnerships and decision-making.

**Cognition theory**

Scholarship on CS activities and ensuing corporate partnerships have generally looked at organizational-level approaches, such as institutional theory among others and woefully neglecting the cognitive reasoning of the individuals charged with making the decisions on the above concepts (Arnott, 2006), leaving a gap that investigates whether firms’ managers behavioral approaches such as attitude, subjective norms among others differ from actual practices of corporate partnerships. This research seeks to fill this gap by identifying factors that influence the cognitive abilities of corporate managers charged with making on CSR to sustain SCP in the context of managerial cognition; an emerging approach toward CSR. This new approach toward CSR reassigns it as an obligatory responsibility that is linked to accountability and intrinsically accompanied by a role that is linked to two sets of responsibilities, which are legal and moral (Tamvada, 2020).

Managerial cognition involves the decision-makers’ mental model and how that interacts with the outcomes of the decision-making process including decision accuracy (Sultana and Singh, 2021).
Mental models are established knowledge structures that are informed by implied theories formulated from past experiences (Nisbett and Ross, 1980; Abelson and Black, 1986). “Managerial cognitive capability is the capacity of an individual manager to perform one or more of the mental activities that comprise cognition” (Helfat and Peteraf, 2015, p. 835). In information processing, context managers are guided by their experience when identifying, structuring and analyzing data for decision-making and are viewed as “cognizers” who minimize the complexity of processes by developing mental maps while allowing them to understand information using their own cognitive lenses (Vasylieva, 2013). Managerial cognition also explains how the corporate partnerships and their sustainability actions allow entities to gain and maintain authority to operate businesses in societies. This supports the firms to improve its corporate reputation as with other benefits. Thus, cognitive capabilities have the potential to improve decision-making and information processing through experience and/or practice. Institutional or corporation forces comprise regulative, normative and cognitive elements, which results in different types of pressures that impact the perceptions of managers and cognitive abilities when making decisions (Yang et al., 2019) and they influence managers ability to make decisions based on information at hand and past experiences.

For example, Crilly and Sloan (2012) used the concept of managers’ cognition to explain the idea that paying particular attention to stakeholders also improves how firm’s managers conceptualize their firm and how it relates to the wider society in which it operates. Thus, the influence of external forces on corporate behavior is not continuously sustainable likened with internal influence (Wang and Dou, 2012), also perceived as institutional pressure. Corporations can embed and extend sustainability practices by coming up with business models that are socially, environmentally and financially sustainable and demonstrate scalable characteristics. Sustainability models are made by firms (Ashrafi et al., 2018). However, implementing these sustainability models largely depend on key persons or managers charged with making decisions relying on their cognitions. As described by Brymer and colleagues, “cognition involves the mental processing that uses, changes, enacts, recalls, stores, sense, and transforms knowledge in a dynamic, recursive manner” (Brymer et al., 2011, p. 121). The authors further noted that “to be cognizant is to be actively aware of a set of knowledge, including a framework, within which such knowledge might be used, based on environmental or mental cues.” However, there is a lack of studies that elucidate such knowledge and frameworks that influence the decision-making process by these key persons or managers to facilitate and sustain a firms’ CSPs. The cognitive approach proposed by Crilly and Sloan (2012) gives different explanation for the reasons some managers view relationships with stakeholders as entailing risks, trade-offs and conflicts, while others perceive prospect of interdependence and mutual benefits.

Relative to the theory of cognition, in theory of planned behavior, cognitive rationality supports the dynamic nature of decision-making process transparent, preferably divided into subsequent stages, while keeping the pragmatism and flexibility of constrained reasonableness within connected stages into successive stages. To put in context, engagement process, for example, is made up of three steps, which are identifying, analyzing and selecting relevant stakeholder, reaching them and winning their interests and eventually adopting engagement strategies (Devin and Lane, 2014) to learn about solutions and effects. Thus, making process/model is “cognitive” in nature, given participants learn the effects of solutions, the achievable objectives and their potential trade-offs in engagement and decision-making process (Cascetta et al., 2015). Psychological studies have emphasized the cognitive aspects at the foundation of management decision-making process. Cognitive style has been referred to as the individual way a person perceives, thinks, learns, solves problems and relates to others (Witkin et al., 1977) and managers are entrusted with the task of making decisions, routinely impact the value and viability of corporations. Although most managers have made concerted efforts in making best decisions, there are several barriers and temptations that prevent them from doing so (Rowe et al., 1984). The burden of making best decisions entails far more than just
calculating outputs as they are generally perceived. They challenge the abilities of managers to make trade-offs between doing the right things and biased decisions based on institutional decision-making frameworks. A strategy for stakeholders is a way of involving other people who have interest in a project in decision-making in a corporation or nonprofit organization. Previously, various business-stakeholder models sprung up to connect businesses with their host societies and other stakeholders to promote the idea of value creating and sustainability. In the past, several business-stakeholder engagement models emerged to connect businesses with societies and other stakeholders to promote the notion of value creation and sustainability (Shah and Guild, 2022). However, there has not been related relevant studies that investigate the impact of these business-stakeholder engagement models on managerial cognitive decision-making and the achievement of social and corporate values. Conventionally, there are four fundamental steps to effectively engage stakeholders. It commences with:

1. analyzing stakeholders;
2. defining the purpose of the engagement;
3. mapping available tools to identified stakeholders; and
4. choosing the appropriate methods and technologies.

We contend that the outcomes of this study will help firms use the appropriate strategies for engaging stakeholders that impede opportunities for bias and cognitive stress.

The discussion around stakeholder engagement and CSR has been “notorious.” As such, of particular importance in terms of the aims of this study was that its outcomes serve the educational purpose of bringing practitioners up-to-date with the progress made in the complex discussion around stakeholder engagement and achievement of CSR. This study does not seek generalization or cumulative knowledge from what is reviewed. Instead, this review is being conducted to demonstrate the impact of stakeholder engagement on managerial cognitive decision-making by subjectively selecting relevant papers to provide our readers with a comprehensive background for understanding this subject matter.

**Methodology**

The authors used interpretivist research approach leveraging the strengths of qualitative method of content analysis, comparative and critical analyses to report the results. Interpretive methods incorporate social theories and standpoint. It holds a view of reality as social construction of understandable events in the context of organizational communication (Putnam and Banghart, 2017). Interpretive methods when used in business studies, are characterized by efforts to understand the complexity of the business world and its services while further explaining the concept of strategies, actions and events (Gummesson, 2003).

We then adapted the six generic steps involved in conducting literature review (Templier and Paré, 2015) to include the following steps:

- Formulated research aim.

To formulate a research aim, we developed a search strategy to retrieve relevant papers based on clear inclusion and exclusion criteria:

- Data collection – searched Scopus database for relevant literature.

We searched through Scopus with the string “stakeholder” AND “engagement strategy” AND corporate social responsibility” OR “CSR” to retrieve/collect data. This involved the identification, recording, understanding, making meaning as well as transmitting information.
in a comprehensive manner. Empirical studies are those involving the collection, analysis and interpretation of primary data:

- Screened for inclusion.

We screened through the retrieved articles for relevance and inclusion. With reference to the Table 1 above, articles that did not meet the inclusion criteria were rejected:

- Assessed the quality of studies.

We assessed the quality of the articles included in terms of context with clear audience, clearly stated aims/gaps/formulated research questions, appropriate and rigorous research methodologies adopted and research findings.

In reviewing the articles for analysis, the authors read each included article that appear in the search in full although, it was time-consuming. After selecting final sample for analysis, we adopted a standardized descriptive means of abstracting appropriate information from each article – year published, study aim, context, study method and factors influencing decision-making or theory. Thus, overarchingly, we followed the four phases of conducting literature review recommended by Snyder (2019) in Figure 1.

Discussion
Firms’ active fulfillment of social responsibility is the key condition of national corporate’s sustainability development, which is also the quintessence of their level of development (Wang, 2018).

Managerial decision-making
Different people respond to decision-making settings differently, executing different habitual patterns and individual decision-making styles people, or manager for that matter in decision-making positions generally follow a specific path for receiving, analyzing and consequently reaching a decision outcome (Basu and Dixit, 2022). Some systematically investigate available option for the best decision. Others believe in their intuition by relying on their feelings, while others would seek other’s advice. The style of decision reflects a person’s cognitive complexity and values.

Helfat and Martin (2015) contended that several components of managerial cognition such as “mental representations, mental models, beliefs, resource and strategic schemas, attention, perception, interpretation, reasoning and emotion regulation” (p. 1291) plays a key role in the outcome of decision-making. In their study, Helfat and Peteraf (2015) focused on how the cognition may help in explaining why some top managers have the capability of making more operative decisions in the lens of anticipation, interpretation and responding to the demands of an developing environment. For example, Yang et al. (2019) applied the concept of managerial cognition to investigate how the perception of managers on institutional pressures relate to their focus on proactive environmental strategy, which influence their ability to realize their innovative capability. Others, such as Rindova (1999),

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<td><strong>Inclusion</strong></td>
<td><strong>Exclusion</strong></td>
</tr>
<tr>
<td>Stakeholder engagement and CSR or CSP –focused and include cognitive decision-making</td>
<td>Stakeholder engagement but not focused on addressing CSR/CSP issues</td>
</tr>
<tr>
<td>Empirical, conceptual/review</td>
<td>Editorial</td>
</tr>
<tr>
<td>Published in English</td>
<td>Not published in English</td>
</tr>
<tr>
<td><strong>Source:</strong> Developed for this study</td>
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have used the concept to describe how CSPs and their sustainability actions allow corporations to gain and sustain the support and authority to operate in business societies and maximize their corporate image and benefits.

Hlioui and Yousfi (2020) contended that CSR forms a trajectory for evolving changes and innovation influenced by the managerial perspectives. However, the social commitment of the manager is influenced by institutional framework. Institutional framework limits the ability of the manager to appropriately respond to evolving social issues. In other words, managers’ cognitive capability is constrained by their institutions’ legal, economic and social pressures of the time managed by social partnerships.

Social partnership are represented by often complex relations and present competing interests of individuals and institutions (Clemans et al., 2005). As such, there are those managers, who, rather than responding to evolving societal issues, make decisions that are

### Table 2: Summary of key papers

<table>
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<tr>
<th>Reference</th>
<th>Study aims</th>
<th>Context</th>
<th>Study method</th>
<th>Factors influencing decision-making/theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hlioui and Yousfi (2020)</td>
<td>To validate an existing ESG index and its components against strategic CSR measures</td>
<td>Innovation in CSR</td>
<td>Semiparametric model</td>
<td>Institutional framework</td>
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<tr>
<td>Yang et al. (2019)</td>
<td>Impact of institutional pressure on proactive strategy development</td>
<td>Environment</td>
<td>Mixed survey and secondary data set</td>
<td>Institutional pressure</td>
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<tr>
<td>Crilly and Sloan (2012)</td>
<td>The importance of managerial cognition on corporate attention to stakeholders</td>
<td>Corporate relationships and society</td>
<td>Review</td>
<td>Paradox perspective</td>
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<tr>
<td>Hahn et al. (2018)</td>
<td>Explore paradox perspective on corporate sustainability</td>
<td>Corporate sustainability</td>
<td>Conceptual</td>
<td>Business case</td>
</tr>
<tr>
<td>Richter and Arndt (2018)</td>
<td>Cognitive decision-making process and legitimation</td>
<td>Analyze CSR at an individual level</td>
<td>Qualitative</td>
<td>Sense-making</td>
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<tr>
<td>Secchi (2009)</td>
<td></td>
<td>Distributed cognition method</td>
<td>Conceptual/review</td>
<td>Distributed cognitive approach</td>
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<tr>
<td>Wade and Griffiths (2021)</td>
<td>Examining cognitive foundation for managerial decision-making in CSR</td>
<td>Environment/climate change</td>
<td>Conceptual</td>
<td>Sense-making and managerial interpretation/cognitive frames</td>
</tr>
<tr>
<td>Wang and Dou (2012)</td>
<td>The variations in the cognition of managers on CSR among others different ones</td>
<td>Manager’s cognition on CSR</td>
<td>Conceptual</td>
<td>Managerial cognition</td>
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<td>Wang (2018)</td>
<td>Analysis of CSR decision-making behavior based on cognitive neuroscience</td>
<td>Neuroscience and cognition</td>
<td>Conceptual</td>
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<tr>
<td>Caputo (2020)</td>
<td>Contribute to ongoing debate about CSR</td>
<td>Cognitive decision in CSR</td>
<td>Conceptual</td>
<td>Cognitive distance and information asymmetry</td>
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<tr>
<td>Hockerts (2015)</td>
<td>Cognitions and development of mental models</td>
<td>Corporate/social sustainability performance</td>
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Note: ESG = Environmental, social and governance  
Source: Developed for this study
influenced by their firms or sponsoring institutions, necessitating some trust building process and genuine engagement exercise of all parties involved to be pursued. In an empirical study, Albats et al. (2020) asked interviewees to describe an ideal manager for social partnership. They described required manager to be “open-minded, curious extrovert who is ready to experiment and tolerant of failures and a leader who is able to manage a multi-disciplinary and heterogeneous team” (p. 8).

However, scholars suggest that both business case and paradox case cognitions have effect on managers’ ability to make decision and that the pressures existing in CS arise from the complex and independent relationships among its dimension (Pencle, 2019). A paradox view “explores how organizations can attend to competing demands simultaneously” and that long-term organizational success “requires continuous efforts to meet multiple, divergent demands.” Organizations and decision-makers may either respond defensively or
proactively to paradoxical tensions (Hahn et al., 2018). The implication of either response is effort to address concerns of multiple stakeholders. For example, Pencle (2019) concluded in his study that corporate managers operating in the paradoxical cognitive frame were more likely to make more sustainable decisions under broad organizational performance goals relative to their business case cognition manager counterparts.

While managers with business focus case cognitive view the impact of sustainability as either positive or negative, managers with paradoxical view considers the multiconflicting environmental, social and economic issues extensively in developing more sustainable solutions. For example, when Crilly and Sloan (2012) studied the role of managerial cognition on corporate attention to stakeholder, the authors found that the conceptualization of top management of firms’ relationships with society triggers distinct foci of attention and potentially limits how well a single firm can simultaneously attend to a range of stakeholders. Their findings epitomize the importance of what they called “inside-out” viewpoint that is based on managerial cognition and explains why some firms solve stakeholder problems better or more effectively than others. This is because the cognitive role of managers in CSR strategy formulation and adoption influences organization performance and reputation (Khan, 2018). Premising his case from the perspective of strategy-as-practice, Khan demonstrates that the process of CSR strategy formulation and execution is iterative and depend generally on trial and error.

For example, Richter and Arndt (2018) suggested that when firms are confronted with multiple but contradictory expectations from varying stakeholder groups, decision-makers should apply the sensemaking model. Sensemaking model provides an understanding of the cognitive processes underlying the CSR decision-making processes, which is a basic value in the continuous innovation of approaches for evolving CRS initiatives to gain legitimacy. The cognitive dimension of the sensemaking process inherent in the CSR character consist of the two subdimensions of identity orientation and legitimacy.

Similarly, Wade and Griffiths (2021) used the concept of sensemaking to explain cognitive framework and their restriction on the ability of managers to make decisions. Their findings support the notion that managers are constrained by bounded rationality and other factors such as prior experience and individual characteristics, which has the potential to lead to contradictions. Persistent contradictions between independent elements aligns with a paradox perspective.

A paradox perspective on CS puts up with interrelated yet conflicting characteristics of economic, environmental and social problems with the primary goal of realizing higher business contributions to sustainable development (Hahn et al., 2018). This contradictory nature of CSR is explained in the definition provided by Bansal. Bansal (2005) contended that CS cuts across environmental integrity, social equity and economic prosperity. The balance of these three antagonizing concepts holds CSR in the equilibrium. Individuals’ ability to navigate through the contradictory nature of CSR largely depends on the medium and on the quality of information available to them at the time of decision-making (Secchi, 2009).

**Optimizing decision-making via information and communication systems**

Information and communication systems can enhance the decision-making capacity of individuals charged with such responsibility and the organization by providing them the infrastructure to process large amount of data and coordinating the participation and roles of all stakeholders the decision-making process, thus overcoming cognitive limitations of decision-makers (Albers et al., 2016).

In a study in China, Wang and Dou (2012) tested the cognition of managers on the Carroll’s four constituents of CSR, which were economic, legal, ethical and discretionary (Carroll, 1979). The findings confirm the case for cognitive-controlled cognitive process of managers.
when making decisions, given the strong predilection toward the economic components of firms and a strong negative correlation between economic cognition and all three of its noneconomic counterparts. The pursuit of profitability first of corporations has aroused dissatisfactions in the society, and the corporate is required to actively fulfill its social responsibilities (Wang, 2018).

In deciding advantageously before knowing the advantageous strategy in science, Bechara et al. (1997) concluded that subconsciousness influence decision-making via the measurement of skin conductance responses indirectly via the role of “reasonable strategy” and directly. The results of an in-depth analysis by Wang confirmed the findings of Bechara et al. (1997), who discovered that cognitive neuroscience method and neuro-accounting theory are active tools that can be used to explain the active social responsibility decision-making behavior of corporate characterized by reporting for “economics” and “social” (Wang, 2018). Wang explained that “neuroaccounting incorporates cognitive neuroscience and its brain measurement techniques, and applies the data of cranial nerve activity when participating in accounting activities.”

Caputo (2020) explained information asymmetry as the different amount of information relating to exchanged goods and services provided by actors in a relationship. On the other hand, cognitive distance is the differences observed among individual’s social, cultural and general life experiences (Breidbach and Brodie, 2017) acting in process, place, purpose and perspective. Caputo expounds that information asymmetry and cognitive distance as antecedents in the path toward CSR both in firms’ and stakeholders’ view in four scenarios – defence, influence, alignment and evaluation. While cognitive distance demonstrates strengths in helping to make decision, its disadvantage lies in its inability to combine internal knowledge asset to create knowledge for sharing and learning (Caputo, 2021).

According to Caputo (2020), in influence scenario, for example, firms would promote CSR approaches to influence perceptions and evaluations of stakeholders regarding their firm’s behaviors and strategies using planned information by increasing information asymmetry whereas in alignment scenarios, firms embark on activities that resonates with the beliefs and perspectives of stakeholders to attract support. Clearly, cognitive distance and information asymmetry provide room for the use or application of mental models. Managers use different mental models. A study undertaken by Hockerts (2015) found that mental models are diverse and complex given their differentiation and integration and tend to change with perceived sustainability performance, which could be economic or social while further questioning how mental models about CS performance develop over time and how they differ between using business case perspective.

Managing business relationships through the lens of organizational policies and practices entails “how to engage” with varied stakeholders with competing interests (Hill et al., 2014) as CSR. The relevance of determining the best approach to engaging and interacting with stakeholder is not only to enable organizations to develop knowledge and understanding of stakeholder needs and expectations, but also to increase accountability (Rinaldi, 2020), which can be achieved through consolidated processes such as integrated thinking, a concept that is tangential to cognitive offloading. Integrated thinking is the conditions and processes that are conducive to an inclusive process of decision-making, management and reporting, based on the connectivity and interdependencies between a range of factors that affect an organization’s ability to create value over time for a range of stakeholders.

Instead of generalist style of integrated thinking, the process involved in stakeholder engagement is multidimensional and dependent on different types of audiences with each requiring different types of approach to decision-making. Rowe et al. (1984) defined decision style as the way in which a person perceives information and mentally processes it to come to a decision. Decision-making in its very nature is a dynamic and high-level cognitive process based on a cognitive ability of an individual or groups that include but are
not limited to perception, attention and memory. Understanding stakeholder decision styles is a valuable part of the stakeholder management strategy.

Conclusion

Little attention has been paid to the cognitive reasoning of the individuals responsible for CSR and CS as opposed to the widely available literature on organizational/institutional-level approaches. Consequently, currently, all mining and other resource-based corporations, for example, assume to follow and execute the principles of CSR, claiming to operate sustainable and responsible businesses that respect local cultures, respect human rights, protect the environment, while enhancing and promoting development and peace. At the same time, there are growing concerns about strategies corporations use in engaging with stakeholders to sustain healthy corporate partnerships and create value – especially the processes that take place during engagement and decision-making including cognitive offloading. Both environmental and cognitive factors orchestrate tensions in the sustainability paradoxical forces. Scholars have used an integrative approach to achieve balance in the trio elements of sustainability as well as the growing use of paradox perspective to understand the nature of the tensions being sought to balance and, in the process, provide opportunity for a better evaluation of complex sustainability issues for innovative approach to resolving them. As management of firms evolves over time in an era in which transparency is key in the context of ethical, fair and sustainable practices required by society and through competitive framework in the corporate space, there remain concerns over a balance and accountable relationships with stakeholder as they seek more attention.

Future research

Generally, firms and management leadership are trapped in making decisions that support their growth for both stakeholders and shareholders. However, establishing the balance between sustainable business practice through transparent inclusiveness/involvement of stakeholders and those of shareholders remains a daunting and tricky task for corporate executives given the conflicting interests between these two but differing interested parties of forms. As such, future and further research could look at strategies that firms/managers use vis-à-vis cognitive decision-making when engaging with “stakeholders” and “shareholders” to look at how to “create value for all stakeholder (Freeman et al., 2010) for sustainable corporate relationship.

Methodological limitations

This is a narrative review of ex ante literature. Although, all principles of narrative reviews have been applied, given that this is not a systematic literature review and search not exhaustive, there could be more data that have not been covered. This is because narrative reviews are generally broader in scope than systematic reviews and may lack synthesis and rigor (Byrne, 2016). Again, subjectivity in the selection of relevant studies remain weakness that is attributed to narrative reviews that possibly lead to biases (Ferrari, 2015) of which this narrative review is not immune to.

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