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The role of integrated reporting in communicating adherence to stakeholder capitalism principles during the COVID-19 pandemic

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Abstract

Purpose – Stakeholder capitalism (SC) advocates that organisations should focus on creating long-term value for all key stakeholders rather than maximising short-term profits for shareholders. This paper aims to explore whether and how business organisations have applied stakeholder capitalism principles (SCPs) during the COVID-19 pandemic and how these efforts were communicated in integrated reports.

Design/methodology/approach – This study is based on the content analysis of the text extracted from the integrated reports of 22 companies categorised as excellent in the 2020 EY Excellence in Integrated Reporting Award 2020. The research material consisted of paragraphs that reflected how the company observed the SCs in practice.

Findings – The stakeholder responsibility principle was the most represented by the examined companies, followed by the principles of continuous creation, stakeholder engagement and stakeholder cooperation. The COVID-19 pandemic has propelled the necessity of implementing innovative solutions to counteract the virus's spread. It has also spurred the need for two-way digitalised communication between the executives and stakeholders. The new situation also required collaborative approaches in the forms of partnerships, joint initiatives and programmes to ensure employee safety and help communities recover from the social and economic impacts of the pandemic.

Originality/value – This study links SC with integrated reporting (IR) and contributes to the literature by providing new insights into how SCs have been applied during the COVID-19 pandemic. This discussion suggests that whereas these principles determine how the companies must act to satisfy stakeholders

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expectations, integrating reporting may help develop a report that is stakeholder-oriented and which responds to their information needs.

Keywords COVID-19, Integrated reporting (IR), Stakeholder capitalism (SC)

Paper type Research paper

1. Introduction

Stakeholder capitalism (SC) has taken on a special meaning and dimension in the COVID-19 pandemic. Initially, the pandemic outbreak varied across the geographic regions because of the virus's timing and governments' interventions. Finally, the entire world has been affected and put under pressure to find solutions that will mitigate the adverse impacts of the virus spread. These uncertain times have caused organisations to reassess the future and work collectively to ensure sustainable development and value creation for stakeholders. Collaborative actions have taken place in and between businesses, governments and civil society (Lee and Trimi, 2021; Baxter and Casady, 2020)

During the COVID-19 pandemic, new channels of communication with stakeholders gained significant importance. Many companies were forced to adapt their operational procedures to effectively partner with governments and national health providers to support their pandemic responses. Most actions needed flexible approaches adjusted to changing situations and the sector in which the organisation operated. COVID-19 has also provided an unprecedented learning opportunity for organisations to better prepare for future infectious epidemics and enhance operational decision-making speed under challenging times. Moreover, solidarity has become a highly regarded value implying that multiple stakeholders can work together in favour of the common good (Ho and Dascalu, 2021).

In this context, the concept of SC has gained importance. It advocates that an organisation's purpose is to create long-term value to ensure its sustainability and health instead of maximising short-term profits for shareholders at the cost of other stakeholder groups (Paine, 2003). It must be highlighted that SC draws from libertarian arguments reflecting freedom and liberty, the importance of property rights, voluntary redistribution of wealth in society and human beings' responsibility for the effects of their actions on others (Freeman and Phillips, 2002). Based on libertarian ideas, Freeman *et al.* (2007a, 2007b) proposed six stakeholder capitalism principles (SCPs) for value creation and business activities. They cover stakeholder cooperation, stakeholder engagement, stakeholder responsibility, complexity, continuous value creation and emergent competition. The principles promote ethics, esteem for human beings' complexity, solidarity and encourage innovations (Freeman *et al.*, 2007a, 2007b).

Generally, a notion of capitalism has been referred to in the previous literature in various contexts, including labour (Marx and Engels, 1847), governmental (Keynes, 1936), investor (Friedman, 1962), managerial (Berle and Means, 1932; Marris, 1964) and entrepreneurial (Schumpeter, 1942; Kirzner, 1979; Baumol, 1990). From a managerial perspective, capitalism presently focuses on resolving the deep tensions between shareholders and stakeholders expectations. On the one hand, shareholder capitalism assumes that financial capital makes contracts with all other resources to minimise those resources' costs and maximise financial capital return (Ingerson *et al.*, 2015). On the other hand, SC offers the values, mindset and skillset to enable sustainable cooperation with the larger community (Freeman and Liedtka, 1997). Moreover, it requires corporate governance to make an ethical step toward socially committed entities' empowerment (Grove *et al.*, 2020). SC seems critical in the context of the current global problems, such as the COVID-19 pandemic, which creates a unique setting worth further investigation. Grove *et al.* (2020) argue that a growing body of literature has investigated SC through a Corporate Social Responsibility (CSR) lens. In contrast, we

identified the existing research gap in the literature that indicates a lack of studies linking SC with integrated reporting (IR).

The current study explores whether and how business organisations denoted as the excellent preparers of integrated reports have applied SCPs during the COVID-19 pandemic and how integrated reports have communicated these efforts. We claim that whereas the SCPs determine how the companies must act to satisfy stakeholders expectations, IR may help develop a report that is stakeholders' oriented and responds to their information needs. We were motivated to carry out this study because we identified a research gap. SC is addressed in conceptual papers (Freeman and Liedtka, 1997; Freeman and Phillips, 2002; Freeman *et al.*, 2007a; Ingerson *et al.*, 2015) and is currently debated in public space (The Economist, 2020; WEF, 2021), but when it comes to empirical evidence, it is limited since it does not reflect the extent to what business organisations comply with SCPs.

Our findings prove that most of the examined companies (73%) followed six SCPs. *Stakeholder responsibility* was the most represented rule. It implies that value can be created, traded, and sustained because the parties agree to accept responsibility for the consequences of their actions. The principle shows how companies committed to acting responsibly in the face of the COVID-19 pandemic and supported stakeholders to ensure their safety, well-being and stability over this challenging period. *Continuous creation*, *stakeholder engagement* and *stakeholder cooperation* were further principles followed by all companies, but evidence of their compliance was less referenced in the integrated reports than the *stakeholder responsibility* principle.

By studying the SC phenomenon in its societal context and against the backdrop of the current global problems, primarily the COVID-19 pandemic, this study makes three contributions to research.

Firstly, we refer to the SC concept since this issue seems to be topical in the face of the COVID-19 pandemic when organisations should elevate stakeholders' interests alongside shareholders. However, there arises a question whether the organisations should serve all stakeholders' interests, or perhaps only those who create value for the company but do not expect the short-term benefits. As Paul Strebel notices, "Stakeholders who benefit from the company's largess must be treated differently from those who suffer from undesired side-effects. To make SC real, executives must treat broad sets of stakeholders very differently" (Strebel, 2020). They should analyse stakeholder profiles and understand where value is created and where there is a need to sustain the value that has been created (Freeman and Liedtka, 1997). Such an approach coincides with the linked self- and other-interest framework (Ingerson *et al.*, 2015). It requires executives to identify critical resources, integrate them and then develop a strategy to create more value from those resources than they began with (Freeman *et al.*, 2007a).

Secondly, we join in discussing whether IR goes beyond the instrumental stakeholder theory and supports SC directed at what organisations can do to become a fully human institution. The instrumental perspective assumes that organisations identify stakeholders based on their relevance (Mitchell *et al.*, 1997) make efforts to address the expectations of the most powerful stakeholders (Gray *et al.*, 1996) while simultaneously focusing on the development of good practices for stakeholder relationships management (Bendheim *et al.*, 1998). In 2015, Flower criticised the concept of the IIRC on IR for recognising stakeholders' role to maximise shareholder value in the long-term (Flower, 2015), which is consistent with the firm's capitalistic theory. It diminishes the importance of meeting the stakeholders' needs in favour of seeking to increase shareholder wealth. As Freeman and Liedtka (1997, p. 288) emphasise, "stakeholder capitalism takes a firm ethical stand" and "common decency and fairness are not to be set aside in the name of playing the game of business". It has much in common with a normative branch of stakeholder theory that builds upon value creation

and its distribution to all the stakeholders and even to society (Haller and van Staden, 2014). In turn, SC should establish high moral standards and incline managers to take on the tasks of creating value for all stakeholders (Freeman and Liedtka, 1997).

Thirdly, motivated by the occurring criticism of SC, we decided to examine the compliance with its principles of the best IR preparers by analysing the narratives included in the integrated reports. Critics state that serving the interests of all stakeholders is flawed (Strebel, 2020), and SC is nothing more than an “elaborate public relations stunt espoused by big business to get through the current PR crisis” (Denning, 2020). This topic is particularly vital in the face of the COVID-19 pandemic when organisations must find practical criteria for allocating resources across conflicting stakeholder interests.

The paper is structured as follows. Section 2 draws upon the SC concept and what it means for organisations. Section 3 discusses the stakeholder theory and how it underpins the SC concept. The next part of the paper (Section 4) debates whether SC can be fully reflected in the integrated reports assuming that IIRC’s concept has been originally founded on instrumental stakeholder theory. Section 5 describes the research sample and research method. The next part (Section 6) presents the findings from the content analysis of the narratives included in the integrated reports and discusses them against the relevant literature. Section 7 concludes the paper by providing the main inferences, theoretical and practical implications, identifying the study’s limitations and offering further research cues.

2. Stakeholder capitalism concept

SC positions organisations as trustees of society, and according to Schwab, it is the best response to today’s social and environmental challenges (Schwab, 2019). However, the original idea of SC is that an organisation’s success is dependent on how well it manages the relationships with key stakeholders. Attention to the interests of those who can impact the achievement of the organisation’s objectives is the central admonition of SC (Phillips *et al.*, 2003). Therefore, the support of each stakeholder group is vital to the success of a company, and the outcomes should be synergistic (Freeman and Phillips, 2002). Indeed, Jensen (2010) argues that profit maximisation and stakeholder interests are complimentary. In his view, stakeholders are important for businesses performance, and at the same time, long-term financial value serves as a value criterion to decide on competing stakeholder interests.

Adopting a long-term approach for decision-making has empirical support for improved long-term benefits. Barton *et al.* (2017), based on data 615 non-financial US companies, found that the long-term-focused companies surpassed their short-term-focused peers on several financial measures – revenue, earnings, market capitalisation, economic profit- and created significantly more jobs. Further, Flammer and Bansal (2017) empirically showed that long-term orientation, fostered, for example, by providing long-term incentives for managers, created more successful business through enhanced innovation and improved stakeholder relationships leading to the increase in general reputation and trust of organisations. Jensen (2002) asserts that the long-term market value of an organisation can only be maximised if no critical stakeholder group is ignored or mistreated. Therefore, SC requires managers to think more broadly and creatively about how the organisation’s policies affect all important constituencies of the organisation.

In its concept, SC encourages individuals to cooperate in building sustainable relationships to pursue value creation. It is a new perception contrasting to traditional narratives about capitalism focused on individuals competing over scarce resources (Freeman *et al.*, 2007a). To successfully build, transform and sustain value, companies must engage their stakeholders to deepen relationships and recognise the needs and expectations of particular interest groups. Inclusivity may make SC sustainable through the diversity of thoughts among key stakeholders (Banga, 2020). That mix of voices allows companies to see systemic challenges

and helps them develop long-term solutions with the widest-reaching benefits (Banga, 2020). However, inclusivity may also require formal commitment from management to be held accountable to stakeholders and to enable the integration of stakeholder engagement processes into all levels of the organisation structure (Farooq *et al.*, 2021).

Freeman *et al.* (2007a) emphasise that all stakeholders have rights, which means that one group cannot dictate its own rules at another group's expense because each stakeholder should be secured within its voluntary commitment. Both parties, however, can decide to collaborate and make the commitment to others through voluntary agreements. Schwab (2019) goes even further and stresses that currently, company's leaders have an excellent opportunity to uphold their duty to society and leave their positive mark on the world. In this context, organisations should find optimum for broader objectives that refer to societies' health and wealth and to that of the planet and future generations. Such an understanding of SC has both supporters and opponents. Those who criticise the system allege that it is nothing more than "an elaborate public relations stunt espoused by big business to get through the current PR crisis" (Denning, 2020).

Nowadays, a volatile, uncertain, complex and ambiguous (VUCA) business environment requires organisations to proceed with changes to survive and remain successful. Hence companies need to be fully aware of their purpose and how they depend on other resources to achieve that purpose. It leads to considering an organisation as part of a system within the environment rather than a series of internal operations, which has much in common with the stakeholder theory (Farneti *et al.*, 2019). The key to regarding the organisation as an element of a system is an appreciation of the interdependencies it has with different parts of that system (for example, with stakeholders), in particular when it can impact and be impacted by other parties (IIRC, 2020; Farneti *et al.*, 2019).

Thus, there appears a need for transparent and effective communication of the organisation's actions and efforts to create value because the outcomes and impacts produced by the company affect not only the particular elements of the system in which it operates but also the environment. IR, with its fundamental concepts of integrated thinking, six capitals and value creation, presumably seems to be an adequate tool to present these interrelations and highlight the organisation's accountable attitude. According to Charles Tilley, CEO of the IIRC, the global pandemic, which has been testing business resilience, has done integrated thinking and reporting even more critical (IIRC, 2021b).

This section discussed what SC is and what it means for value creation, stakeholder management and the organisation itself. In the next part of the paper, we elaborate on the stakeholder theory that underpins SC.

3. Stakeholder theory as a foundation for stakeholder capitalism

Stakeholder theory embedded in organisational theories (Freeman, 1984; Freeman and Reed, 1983; Mitroff, 1983) and business ethics frameworks (Carroll, 1989; Goodpaster, 1991) reflects a pluralistic approach to coordinating multiple and not always entirely consistent stakeholder interests (Donaldson and Preston, 1995; Evan and Freeman, 1988). Originally, stakeholder theory was directed towards value creation and business (Freeman, 1984). However, understanding the relationships between stakeholders and ranking them based on their influence on an organisation formed the broader explanation.

The theory reflects three perspectives: descriptive, normative and instrumental (Donaldson and Preston, 1995). The descriptive perspective of stakeholder theory may be used to describe and clarify corporate characteristics and behaviours. It seeks to address what happens and how companies are managed (Jones, 1995). It elucidates the past, present

and future relationships with stakeholders (Oruc and Sarikaya, 2011) by referring to real experience or reasonable expectations.

The instrumental perspective of stakeholder theory assumes that an organisation has no interest in all stakeholders' welfare, but rather it should explore the opportunities that result from stakeholder management for meeting corporate objectives (Speziale, 2019). It means that an organisation's welfare is optimised by meeting the expectations and needs of the key stakeholders in a win-win manner (Walsh, 2005), as business organisations that serve stakeholders for purely altruistic motives will probably not prosper successfully or even survive in an efficient market (Harrison *et al.*, 2010). The instrumental perspective investigates the effects of stakeholder management and discusses the outcomes of the postulated behaviour. However, the instrumental approach may be misconceived if it refers to justifying managers' behaviour when the necessity of ensuring financial performance explains the arguments for non-ethical or calculative conduct. That should not be the case mainly because some studies provide evidence that adoption of the stakeholder approach to management may be beneficial to the company's bottom line (Berman *et al.*, 1999; Kotter and Heskett, 1992; Preston, 1982)

Valentinov and Hajdu (2021) highlight that the last perspective (normative approach) of the stakeholder theory can account for a bit of support for those managers who need to navigate tough trade-offs between moral behaviour and economic sustainability. The normative approach implies that stakeholders must be treated as human beings whose rights are fully respected (Evan and Freeman, 1988). Donaldson and Preston (1995) state that the normative approach is the central core of the stakeholder theory. Therefore, the other parts of the theory can play only a subordinate role. The moral character of the normative perspective draws attention to the importance of obligations that organisations have to their stakeholders. Moreover, according to the normative concept, stakeholders have intrinsic values in the organisation which may not be ignored, and they also have their legal rights and rights deriving from expectations towards corporate ethical stand (Carroll and Buchholtz, 2000).

Although the emphasis on stakeholders was initially more prominent in organisations with a substantial impact on society and the environment, it is now an integral part of the business. The proposition of building the normative theory that could connect the instrumental social science approach with ethics-based components of stakeholder theory was formulated by Jones and Wicks (1999) to explicitly indicate how managers can make morally sound approaches to business and leave managerial opportunism attitude.

Parmar *et al.* (2010) emphasise that the normative core of the stakeholder theory requires answering questions regarding the purpose of an organisation and to whom management is committed. There are several theories (frameworks) to answer these questions (Parmar *et al.*, 2010). SC that uses libertarian principles to support a stakeholder view of value creation and trade represents such a response. As Freeman and Phillips (2002, p. 345) suggest, "by focusing on these principles, we can reorient capitalism toward an ethics of freedom and responsibility - one that inherently marries business and ethics".

Presently, the normative approach that stays in compliance with SC requires organisations to consider all stakeholders' interests in the economy and society, including ecological and social impacts on them and the natural environment (Hörisch *et al.*, 2014; Schwab and Vanham, 2021). In this vein, Freeman and Liedtka (1997, p. 288) stress that "stakeholder capitalism takes a firm ethical stand" and "common decency and fairness are not to be set aside in the name of playing the game of business". Thus, on the one hand, SC is expected to establish high moral standards, but on the other hand, it should incline

managers and stakeholders to jointly create value in the rapidly changing business environment (Parmar *et al.*, 2010).

In turn, the instrumental approach of stakeholder theory is much closer to the <IR> Framework that favours “(i) communication over holding organisations accountable; (ii) organisational over social sustainability and (iii) providers of financial capital over other stakeholders” (Tweedie and Martinov-Bennie, 2015, p. 56). However, we argue that both instrumental and normative cores of stakeholder theory may build foundations for SC and change IR into value and accountable reporting, particularly in the times of the COVID-19 pandemic.

4. Inclusion of stakeholder capitalism in integrated reporting – critical review

The primary goal of the integrated report “is to explain to providers of financial capital how an organisation creates, preserves or erodes value over time” (IIRC, 2021a, p. 5), which is closer to the instrumental perspective of stakeholder theory. The value creation concept that is central to the <IR> framework, to some extent, is also congruent with the perception of value in the SC concept. In its origin, SC focuses on how the value is created from joint interests. Freeman and Liedtka (1997, p. 294) position that “each stakeholder is seeking to care for the good of the whole network, if simply from the point of view of safeguarding their own stake”. Such an approach is pragmatic and sometimes may result in conflicting interests.

According to the critics, given the integrated report’s aim, the value conceptualised in the <IR> Framework must be interpreted primarily as “value for investors” (Flower, 2015, 2020; La Torre *et al.*, 2020). As Mähönen (2020) highlights, the investor-centrism adopted by the IIRC may enable organisations to overcome the problem with conflict of objectives which is hard to avoid while dealing with heterogeneous target groups. At the same time, this approach is somewhat contradictory to the initial aim of A4S and the GRI in founding the IIRC, which was to engage a broad group of stakeholders and not just financial capital providers, and promote the reporting of sustainability by businesses. Therefore, a real challenge arises for managers to think over the problems of discordant stakeholder interests and seek a way to balance them to address the requirements of the broadest possible groups (Harrison *et al.*, 2010).

Collier (2008) remarks that the degree to which managers should prioritise competing stakeholder claims is related to stakeholder salience. The importance of stakeholder groups depends on their three attributes: the power to influence the organisation, the legitimacy of the relationship with the organisation and the urgency of claim on the organisation (Mitchell *et al.*, 1997). However, even though there may be a need for trade-offs, it is beneficial for the collective to find optimal solutions for all sides (Parmar *et al.*, 2010).

Stakeholder theory may pave a way to reconcile disparate stakeholder interests in this regard by recognising obligations toward broader and more ethically concerned groups (Collier, 2008). In that context, by focusing on its principles and following ethics of freedom and responsibility, SC can encourage managers to get on with the task of creating value for all stakeholders (Freeman and Phillips, 2002). We also argue that the SC concept drawing from instrumental and normative stakeholder theory might be a catalyst that will change IR into value and accountable reporting. In this context, we perceive accountability as “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible” (Gray *et al.*, 1996, p. 38).

Freeman and Phillips (2002) emphasise that regardless of the main goals of the business, managers behave rationally, especially when the world is highly uncertain and volatile. On the one hand, managers are expected to consider the impacts of their actions on others because ignoring them “is to put oneself and one’s company beyond the pale

of morality and ethics” (Freeman and Phillips, 2002, p. 340). On the other hand, as Farooq *et al.* (2021, p. 1124) admit, “genuine accountability to stakeholders demands a more inclusive and integrated response from management to embrace sustainability at the heart of their business structure”. Thus, the observance of the SCPs cannot be symbolic, transitional or depending on situational conditions since it will not result in any lasting change. Adherence to the SCPs should contribute primarily to embedding sustainability issues in organisational structures, processes and practices.

The key feature that distinguishes IR from other reporting formats is that information about the six capitals (financial, manufactured, intellectual, human, social and relationship and natural) is to be presented in an integrated manner to support the IR objectives. As Brown *et al.* (2020) argue, the recognition of different capitals has the potential to facilitate the reporting of the organisation’s impact on society and the environment. However, providing information about the capitals is “determined by their effects on the organisation’s ability to create value over time” and “include the factors that affect their availability, quality, and affordability” (IIRC 2021a, p. 51). This again might be seen as a conceptualisation of “value for investors” (Brown *et al.*, 2020).

Seven Guiding Principles underpin the preparation and presentation of an integrated report, informing the report’s content and how information is presented. One of them is the stakeholder relationships principle. According to this principle, “an integrated report should provide insight into the nature and quality of the organisation’s relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests” (IIRC 2021a, p. 28). This principle remained the same as it was formulated in the former (2013) version of the <IR> Framework. Despite acknowledging various stakeholder groups, there is no obligation for the integrated report to try to satisfy the information needs of all of them (IIRC 2021a, p. 28). Moreover, the <IR> Framework also does not put forward a suggestion to consult with stakeholders on its content (as it is included in, e.g. GRI Standards or AccountAbility’s AA1000 AP standard).

Another two principles worth mentioning in the stakeholders’ context are the connectivity of information and materiality. The connectivity of information is perhaps the most important principle of an integrated report. The <IR> Framework defines connectivity by stating that an integrated report “should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation’s ability to create value over time” (IIRC 2021a, p. 26). Information connectivity also supports integrated thinking and better internal decisions (Barth *et al.*, 2020).

The next vital issue of the IR process is materiality. According to the <IR> Framework, “to be most effective, the materiality determination process is integrated into the organisation’s management processes and includes regular engagement with providers of financial capital and others to ensure the integrated report meets its primary purpose” (IIRC, 2021a, p. 30). Therefore, as Deegan (2020) argues, this view on materiality is very narrow and reflects a limited approach to stakeholder engagement as it shuts down the rights to information of all stakeholders.

According to Flower (2020), the IIRC focuses on the sustainability of the business and its continuous existence in the future. However, the sustainability of life on the planet is not at the centre of interest of the IIRC. Speziale (2019) argue that abandoning a broader sustainability approach by IIRC may be explained by the composition of its governing council, which the accounting professionals and multinational enterprises dominate. Following this line of thought, such an approach could undermine the capitalistic theory of the firm and threaten the established position of the accountancy profession in the field of corporate reporting (Speziale, 2019).

<IR> Framework rather represents a paradigm shift from a “financial capital market system” to an “inclusive capital market system” (Coulson *et al.*, 2015, p. 293), and that it expands “the current shareholder focus and accountability by specifying different forms of capital, associated externalities, and their respective interests” (Vesty *et al.*, 2018, p. 1409). An inclusive capital market system rejects short-termism and assumes a long-term perspective of corporate performance that considers “effective and productive management not currently measured by traditional accounting methodologies” (Labrey, 2015). In this vein, Eccles and Spiesshofer (2015) claim that IR supports “re-imagined capitalism” based on resource allocation decisions that go beyond short-term financial performance. IIRC proposals also encourage institutional investors to include a company’s sustainability performance in investment decisions and take a longer-term perspective in decision-making processes.

<IR> Framework’s critics, as shown above, doubt its ability to meaningfully alter businesses’ reporting practices and contribute to sustainability since it is dominated by the need to fulfil the investors’ information needs. Moreover, Speziale (2019) stresses that many authors, including Alexander and Blum (2016), Brown and Dillard (2014), de Villiers *et al.* (2017a, 2017b), Flower (2015), Reuter and Messner (2015), Stubbs and Higgins (2015), Thomson (2015) and Tweedie and Martinov-Bennie (2015) foresee the difficulties related to abandoning the weak sustainability paradigm that privilege financial capital providers. The other argument for the investor focus might be that if a broader stakeholder perspective had been embraced, the resulting integrated reports would be complex, lengthy and less communicative (Rowbottom and Locke, 2016; Deegan, 2020).

Given the above, we aim to provide new insights into the discussion on IR by investigating how business organisations denoted as the best preparers of integrated reports reflected the observance of SCPs and went beyond the so-called “weak sustainability paradigm”. We claim that the pandemic’s unprecedented time might have inclined companies to reassess their approach and direct towards SC, which suggests coordination of organisational objectives and business activities for all stakeholders’ wellness.

5. Research sample and method

This study’s research sample covers twenty-two companies categorised as excellent IR preparers in the *EY Excellence in Integrated Reporting Award 2020*. All of these entities are listed South African companies. The sample consists of the best IR reporting organisations denoted as “Top10” and the other preparers of excellent integrated reports. Our objective is to determine whether their integrated reports covering the 2020 reporting period addressed the COVID-19 pandemic and put an emphasis on complying with SCPs. In this context, it is worth noting that the Minister of Health had confirmed the spread of the virus to South Africa on 5 March 2020, whereas the first lockdown due to the COVID-19 pandemic began three weeks later.

In our research sample, 11 integrated reports reflect the reporting period ending in June 2020 or later in the same year. This means that the reports refer to some extent to the year 2019, but on the other hand, they do not omit the first crucial quarter just after the pandemic outbreak in South Africa and the lockdown announcement. The other half of the reports reflect the period beginning on or after 1 January 2020, with only three companies ending their reporting period in the first quarter of 2021. Thus, all integrated reports in our research sample reveal the impact of the COVID-19 pandemic in the reporting period of 2020 (Table 1).

We applied content analysis to examine the narratives included in the integrated reports regarding the SCPs observance. We investigated the number of references to the following

Table 1.
The sample companies, their reports' characteristics and the number of COVID-19 related words identified

Company code*	Position in the ranking 2020	Reporting period	Date of report approval by the Board (Publication date)	Integrated report length (number of pages)	Number of word occurrences in an integrated report (disjoint sets)				
					'Covid-19'	'Covid'	'Coronavirus'	'virus'	'pandemic'
C01*	Top 10	01.07.2019–30.06.2020	21.08.2020	103	132	0	3	10	10
C02	Excellent	01.07.2019–28.06.2020	15.09.2020	107	163	3	2	7	29
C03*	Top 10	01.07.2019–28.06.2020	08.10.2020	81	187	1	3	0	34
C04*	Top 10	01.07.2019–30.06.2020	23.10.2020	164	243	2	3	6	27
C05	Excellent	01.07.2019–30.06.2020	27.10.2020	168	130	0	2	12	24
C06	Excellent	01.07.2019–30.06.2020	30.10.2020	97	73	0	1	3	17
C07*	Top 10	01.09.2019–31.08.2020	28.12.2020	128	173	1	4	8	23
C08	Top 10	01.10.2019–30.09.2020	19.11.2020	238	493	2	4	13	111
C09	Excellent	01.10.2019–30.09.2020	09.12.2020	200	314	3	0	4	91
C10	Excellent	01.10.2019–30.09.2020	17.12.2020	186	107	4	12	1	30
C11	Excellent	01.10.2019–30.09.2020	15.01.2021	142	154	2	5	0	45
C12	Excellent	01.01.2020–31.12.2020	03.03.2021	172	266	0	2	14	19
C13	Excellent	01.01.2020–31.12.2020	23.03.2021	98	163	1	0	2	37
C14	Top 10	01.01.2020–31.12.2020	10.03.2021	148	162	6	2	2	94
C15*	Top 10	01.01.2020–31.12.2020	13.04.2021	108	203	0	1	12	40
C16	Excellent	01.01.2020–31.12.2020	19.04.2021	136	161	0	0	7	16
C17	Excellent	01.01.2020–31.12.2020	24.02.2021	266	268	5	2	5	70
C18	Top 10	01.01.2020–31.12.2020	15.03.2021	164	125	7	1	2	48
C19*	Top 10	01.01.2020–31.12.2020	26.03.2021	142	155	19	1	5	34
C20	Excellent	01.03.2020–28.02.2021	01.07.2021	124	159	0	0	11	17
C21*	Top 10	01.04.2020–31.03.2021	02.06.2021	124	162	2	0	4	36
C22	Excellent	01.04.2020–31.03.2021	07.07.2021	141	185	7	0	2	24

Note:* A company which has been recognised as Top10 in integrated reporting over the years of 2020, 2019 and 2018
Source: Own presentation

Principle	Definition by Freeman et al. (2007a, pp. 311–312)	Comprehension of the principle in the pandemic times
Stakeholder cooperation principle	“Value can be created, traded, and sustained because stakeholders can jointly satisfy their needs and desires by making voluntary agreements with each other that for the most part are kept.”	The principle reflects bilateral cooperation between the company and stakeholders during the pandemic in the forms of partnerships, joint initiatives and programmes directed at mitigating COVID-19 challenges and enabling value creation
Stakeholder engagement principle	“To successfully create, trade and sustain value, a business must engage its stakeholders. Almost every business transaction involves customers, suppliers, communities, employees, and financiers. Other stakeholders, such as media, additional civil society representatives, NGOs, etc. are often affected or can affect value creation.”	The principle suggests a company engaging with stakeholders by involving, consulting and informing them in the COVID-19 pandemic. Engagement can take place with the use of digital communications platforms. Realisation of this principle aims to recognise stakeholder needs and manage the relationships with them to maintain the trust and social license to operate
Stakeholder responsibility principle	“Value can be created, traded, and sustained because parties to an agreement are willing to accept responsibility for the consequences of their actions. When third parties are harmed, they must be compensated, or a new agreement must be negotiated with all of those parties who are affected.”	The principle shows how a company responds to the COVID-19 pandemic and supports stakeholders over this challenging period. It expresses, for instance, the commitment to act responsibly to ensure employee safety, well-being and proper work-life balance. The principle also reflects the company’s willingness to contribute financially to the solidarity funds during the pandemic
Complexity principle	“Value can be created, traded, and sustained because human beings are complex psychological creatures capable of acting from many different values and points of view. Individuals are socially situated and their values are connected to their social context.”	The principle expresses how a company, despite the diversity of situations, conditions or intensity of the COVID-19 pandemic, sought to adapt and tailor their responses to the health crisis considering the economic situation and social context
Continuous creation principle	“Business as an institution is a source of the creation of value. Cooperating with stakeholders and motivated by values, business people continuously create new sources of value.”	The principle reflects how a company and stakeholder involvement became a source of value creation due to the COVID-19 pandemic. The realisation of the principle refers to innovative spirit, digitisation progress, new technologies development, and other new sources of value creation that were necessary to take into account within overcoming difficulties caused the health crisis
Emergent competition principle	“Competition emerges from a relatively free society so that stakeholders have options. Competition is an emergent property rather than a necessary assumption to capitalism.”	The principle stresses balancing the tension created by simultaneous cooperation and competition of various stakeholders, of which some have power while others have urgency or legitimacy. The realisation of the principle reflects that stakeholders have options and can choose to resign from some benefits to the interests of other individuals, groups or the public good, particularly in the COVID-19 pandemic

Table 2.
Stakeholder
capitalism principles
and their
understanding in the
COVID-19 pandemic

Source: Own presentation based on [Freeman et al. \(2007a\)](#)

Company code*	Principle of stakeholder cooperation	Principle of stakeholder engagement	Principle of stakeholder responsibility	Principle of complexity	Principle of continuous creation	Principle of emergent competition
C01*	☑ (5)	☑ (6)	☑ (17)	☑ (6)	☑ (10)	☑ (7)
C02	☑ (2)	☑ (11)	☑ (30)	☑ (4)	☑ (19)	☑ (10)
C03*	☑ (2)	☑ (8)	☑ (11)	☑ (7)	☑ (18)	☑ (14)
C04*	☑ (4)	☑ (20)	☑ (18)	☑ (1)	☑ (4)	☑ (2)
C05	☑ (4)	☑ (8)	☑ (20)	☒	☑ (11)	☑ (4)
C06	☑ (1)	☑ (3)	☑ (7)	☒	☑ (6)	☑ (2)
C07*	☑ (5)	☑ (13)	☑ (19)	☑ (3)	☑ (14)	☑ (8)
C08	☑ (13)	☑ (40)	☑ (41)	☑ (6)	☑ (38)	☑ (15)
C09	☑ (9)	☑ (16)	☑ (26)	☑ (6)	☑ (23)	☑ (5)
C10	☑ (2)	☑ (6)	☑ (15)	☑ (1)	☑ (7)	☑ (3)
C11	☑ (1)	☑ (9)	☑ (10)	☑ (10)	☑ (14)	☑ (13)
C12	☑ (14)	☑ (16)	☑ (37)	☑ (1)	☑ (8)	☑ (1)
C13	☑ (2)	☑ (9)	☑ (31)	☑ (6)	☑ (23)	☑ (3)
C14	☑ (4)	☑ (16)	☑ (30)	☑ (3)	☑ (17)	☑ (9)
C15*	☑ (5)	☑ (11)	☑ (18)	☒	☑ (26)	☑ (1)
C16	☑ (8)	☑ (11)	☑ (15)	☒	☑ (5)	☒
C17	☑ (4)	☑ (16)	☑ (25)	☑ (6)	☑ (6)	☑ (7)
C18	☑ (6)	☑ (10)	☑ (22)	☑ (1)	☑ (2)	☑ (6)
C19*	☑ (12)	☑ (11)	☑ (17)	☑ (1)	☑ (8)	☑ (6)
C20	☑ (9)	☑ (8)	☑ (27)	☒	☑ (17)	☑ (6)
C21*	☑ (16)	☑ (12)	☑ (39)	☑ (5)	☑ (35)	☒
C22	☑ (7)	☑ (9)	☑ (26)	☑ (2)	☑ (17)	☑ (3)
Mean (n = 22)	6,1	12,2	22,8	3,1	14,9	5,7
Max (n = 22)	16	40	41	10	38	15
Min (n = 22)	1	3	7	0	2	0
Mean (n = 10; Top 10)	7,2	14,7	23,2	3,3	17,2	6,8
Mean (n = 12; Other)	5,3	10,2	22,4	2,9	13,0	4,8
Difference	2,0	4,5	0,8	0,4	4,2	2,1

Table 3.
Complying with the stakeholder capitalism principles by the sample companies

Notes: ☑ - YES (the number of times when an entity provides evidence in various threads of the integrated report that it observes a given principle); ☒ - NO *A company which has been recognised as Top10 in integrated reporting over the years of 2020, 2019 and 2018
Source: Own presentation

words: *covid-19*, *covid*, *coronavirus*, *virus* and *pandemic*. Then, we extracted those paragraphs that covered the terms indicated above and shifted them to separate forms for each company under examination. In that way, we created documentation that covered 22 research forms, including more than 213,000 words in total. Before the further investigation, we discussed each SCP formulated by Freeman *et al.* (2007a). It was an attempt to pre-understand original definitions before the coding process. In the next step, some part of the text was coded by moving back and forth between SCPs definitions of Freeman *et al.* (2007a, 2007b) and the empirical textual data. When some evidence was collected, we established a common position in understanding these principles for the specific conditions of the COVID-19 pandemic. It should be emphasised that the part of the research procedure based on questioning and putting what the other researcher achieved or assumed in question is central to understanding the phenomenon under investigation in qualitative research (Aspers and Corte, 2019).

After that, two independent researchers were ready to code the extracted narrative separately by analysing the compliance of particular text paragraphs with each SCP following their explanation in [Table 2](#).

The examination results are presented in [Table 3](#). They reflect the number of cases when a given principle is observed. After completing the content analysis, the researchers exchanged the research forms and began the checking part of the study. Consequently, any discrepancies between the coding results were discussed to agree on the joint position. It must be emphasised that some paragraphs did not reflect any of the six principles; thus, they were excluded from the further examination.

The next step of the research procedure was an in-depth analysis of the coded text across particular principles. We created six separate documents, including paragraphs reflecting the realisation of the given principle. We used a text-mining tool (*KH Coder*) to examine the structure of the text (number of nouns, verbs and adjectives) and build the co-occurrence network displaying the contextual relations between the words.

Our study provides a broad overview of the extent to which the companies distinguished by the mentioned contest as excellent IR reporters have realised the SC concept in practice. To defend the integrity of the research and ensure its trustworthiness, we applied the following evaluative criteria: credibility, applicability and consistency ([Hammarberg et al., 2016](#)). These criteria were considered in appraising the rigour of the content analysis performed to study the SCPs' observance and understand their contexts.

Firstly, to support the trustworthiness of our study, we determined its purpose and explicitly described how the study was conducted by indicating specific stages of the research procedure. Consequently, to ensure the credibility of the research (i.e. the truth value and internal validity), firstly, two independent researchers coded the textual data (reflexivity assurance); secondly, verbatim quotations from the textual data were presented in the section covering the discussion of the research results to provide evidence with the SCPs' observance.

The next criterion – applicability – refers to the transferability of the research findings and, therefore, is used to evaluate external validity. To support this criterion, we described how we collected research materials and indicated the sampling method in a detailed manner by demonstrating the examined companies and the research period. We are aware that our sampling method is purposive since we focused on the excellent IR preparers, which may be considered as a limitation. However, we believe that the study opens an avenue for extending the sample and observed period in future. Ultimately, the researcher who plans to replicate the study decides whether the reported results may be transferred to another context ([Elo et al., 2014](#)).

The last criterion – consistency of the results – is for assessing reliability ([Hammarberg et al., 2016](#)). There are two types of reliability: consistency between researchers (or inter-rater reliability) and consistency over time with the same researcher ([Elliott, 2018](#)). To check inter-rater reliability, the same part of the research material (over 500 paragraphs long) was coded independently and compared to examine the consistency between researchers. Then, we calculated the total level of inconsistencies between researchers' coding decisions across particular SCPs. We distinguished two types of inconsistencies: misclassifications or missing indications. The misclassifications occurred mainly in reference to stakeholder cooperation and stakeholder engagement principles, where the level of wrong classifications reached 3.45% and 3.19%, respectively. We found out that in the analysed cases, researchers classified these principles alternately. Interestingly, no misclassification was

recorded for continuous creation and emergent competition principles. The missing indications mainly concerned the stakeholder responsibility principle (7.51%). This may have been caused by the researcher's decreased vigilance in the face of a high information density on the subject. The consistency measurement over time with the same researcher may be applied when extending the research study.

The next section elaborates on research results by making inferences into the context of the narratives.

6. Discussion on the research results

In the view of Freeman et al. (2007a), SC is based on six principles: stakeholder cooperation, stakeholder engagement, stakeholder responsibility, complexity, continuous creation and emergent competition.

Firstly, the principle of stakeholder cooperation states that value is created because stakeholders can jointly satisfy their needs and desires. Secondly, the principle of stakeholder engagement states that to successfully create, trade and sustain value, a business must engage its stakeholders. The needs of multiple stakeholders must be met, but there may be specific situations in which privileging the rights of one group can benefit others in the long term, but this is not clear *prima facie* and must be decided upon by the affected parties. Thirdly, the principle of stakeholder responsibility states that value can be created, traded and sustained because parties to an agreement are willing to accept responsibility for the consequences of their actions. When third parties are harmed, they must be compensated, or a new agreement must be negotiated with all those parties who are affected. Fourthly, the principle of complexity claims that human beings are complex and capable of acting from many different values in that we can be selfish and work for economic gains and sometimes we act for others. However, many of our values are jointly determined and shared, so SC works because of this complexity rather than despite it. Fifthly, the principle of continuous creation states that business as an institution is a source of value creation and cooperating with stakeholders and motivated by values, businesses continuously create new sources of value. And finally, the principle of emergent competition says that competition emerges from a relatively free and democratic society so that stakeholders have options. Competition is important in SC, but it is not the primary force. It is in its ability to manage the tension created by simultaneous cooperation and competition that SC distinguishes itself (Freeman and Liedtka, 1997).

Our findings prove that 73% of entities under examination followed all six SCPs, 23% of companies observed five principles and one company followed only four principles. The stakeholder responsibility principle was the most represented rule by the examined entities. On the one hand, the companies willingly shared the information about their actions supporting employees and communities. On the other hand, stakeholders responsibly accepted some temporary inconveniences for the common good. The average frequency of indications that companies observed that rule was 22.8 for the whole sample.

The difference between "Top10" reporters and "Other" in the group of "Excellent" in terms of the stakeholder responsibility principle was relatively slight, suggesting that the commitment to act responsibly for stakeholders was the priority of all sampled companies. The most visible differences between "Top10" and "Other" were in the case of stakeholder engagement and continuous creation principles. The results show that "Top10" reporters provided more evidence in their integrated reports of how they involved stakeholders during the COVID-19 pandemic to address their needs better and made efforts towards continuous value creation through digitisation progress, innovative solutions and new technologies development.

- organisation of safe work conditions;
- provision of payment reliefs;
- creation value for stakeholders in a safe environment;
- care about mental and physical well-being;
- initiatives supporting community and assisting their needs; and
- monitoring and implementation of measures to control operations at work.

The other three principles, including continuous creation, stakeholder engagement and stakeholder cooperation, were also quite eagerly followed by the companies. The COVID-19 pandemic has propelled the necessity of implementing new plans, taking preventive measures and testing innovative solutions to counteract the virus's spread. It has spurred the need for participative governance and two-way digitalised communication between the executives and stakeholders. The new situation also required collaborative approaches to ensure employee safety and help communities mitigate and recover from the social and economic impacts of the pandemic. As a result of stakeholder cooperation, companies might support local businesses with development initiatives, provide relief packages to the most vulnerable community members and ensure business continuity. Many companies were also under pressure to balance their response to stakeholder expectations, manage the tensions caused by lockdowns and make choices that sometimes might be unfavourable to some stakeholder groups.

Table 4 presents the most frequent nouns, verbs and adjectives used in the integrated reports to reflect the observation of the particular principle. It should be noticed that the nouns like COVID-19, pandemic, employee, business and the verbs – ensure and support were applied in all texts that referred to SCPs.

Interestingly, the verb “ensure” appeared with the most significant frequency when considering the whole narrative. Thus, in the pandemic context, the analysed integrated reports have brought the importance of employee issues to the forefront, while the companies have committed to “ensure” employee safety and “support” various initiatives aimed and improving their wellness.

The next part of this section presents how the organisations followed SCPs. It also discusses how the integrated reports revealed these efforts going beyond the instrumental perspective of stakeholder theory and taking an active avenue to legitimise corporate actions based on respecting the rights of all stakeholders and reporting transparency.

6.1 The principle of stakeholder cooperation

Collaboration between stakeholders serves various purposes, but in general, it aims to collect resources, make use of complementary capabilities, achieve economies of scale, or propel innovations (Savage *et al.*, 2008). Particularly, collaboration may help an organisation to tackle several markets, social or environmental problems or win advantage through collective responses to environmental complexity, uncertainty or turbulence (Emery and Trist, 1965; Pfeffer and Salancik, 1978; Savage *et al.*, 2008).

In the face of the COVID-19 pandemic, it turned out that close working relationships and collaborative actions between business, government, labour and civil society took on a new significance. Commitment to stakeholders and collaboration with them became a remedy for enduring the pandemic crisis, protecting long-term sustainability and being stronger together.

The examined companies stressed the importance of jointly working towards slowing the virus's spread and implementing social and economic actions to manage the crisis and improve societal morale, which numerous restrictions and limitations had strained. In these

Principles	Texts' length	Top 20 nouns	Top 10 verbs	Top 10 adjectives
Remarks Principle of Stakeholder Cooperation	Words in bold font are those found in all clusters. 6 569 words	Covid-19 (89) ; government (54); pandemic (51) ; community (45); collaboration (36); healthcare (31); response (23); stakeholder (23); business (22) ; employee (22) ; health (22); challenge (21); doctor (21); engagement (18); partnership (17); sector (17); support (17); year (16); crisis (15); industry (15)	work (41); support (28) ; provide (23); ensure (22) ; include (19); collaborate (17); address (13); continue (13); develop (13); deliver (11)	private (15); national (14); collaborative (12); local (12); clinical (11); new (11); economic (10); strong (10); critical (9); medical (9)
Remarks Principle of Stakeholder Engagement	¹ people, (with the same frequency of occurrence as 'industry') 16 690 words	Covid-19 (209) ; employee (142) ; engagement (132); community (89); pandemic (89) ; stakeholder (80); team (62); business (59) ; impact (50); management (50); relationship (50); lockdown (43); year (42); communication (40); support (40); response (38); supplier (37); value (35); government (34); group (34)	engage (74); ensure (55) ; work (53); include (52); support (50) ; continue (47); provide (44); increase (23); maintain (22); develop (21) ²	key (41); social (25); financial (24); new (24); clinical (22); various (21); local (18); critical (17); digital (17); economic (16) ²
Principle of Stakeholder Responsibility	¹ focus, make, manage, remain (with the same frequency of occurrence as 'develop') ² virtual (with the same frequency of occurrence as 'economic') 27 182 words	employee (413) ; Covid-19 (345) ; health (218); safety (171); pandemic (164) ; community (161); business (104) ; support (102);	provide (137); ensure (122) ; support (101) ; include (87); work (79); protect (72);	social (66); safe (52); medical (41); personal (35); mental (34); financial (33);

(continued)

Table 4.
The most frequent words used in narratives on the compliance with the stakeholder capitalism principles

Table 4.

Principles	Texts' length	Top 20 nouns	Top 10 verbs	Top 10 adjectives
Principle of stakeholder complexity	7 148 words	<p>response (85), well-being (85); people (80); programme (77); measure (71); customer (69); operation (66); impact (63); patient (63); facility (61); initiative (60); risk (59) Covid-19 (71); business (42); pandemic (36); customer (33); employee (31); impact (30); lockdown (27); government (18); hospital (15); response (15); year (15); facility(14); growth (14); level (14); management (14); relief (14); risk (14); sale (14); community (13); country (13)¹</p>	<p>implement (69); continue (66); increase (45); manage (43)</p> <p>impact (22); increase (21); continue (20); ensure (20); provide(20); support (18); work (15); remain (14); require (13); make (12)²</p>	<p>new (33); additional (29); various (29); local (28)</p> <p>economic (14); clinical (11); financial (11); global (11); social (10); key (9); local (9); national (9); significant (9); lower (8)</p>
Remarks				
Principle of emergent competition	9 701 words	<p>¹ pressure, strategy, support (with the same frequency of occurrence as 'country'); ² manage, reduce (with the same frequency of occurrence as 'make')</p> <p>Covid-19 (104); employee (79); pandemic (55); business (49); capital (37); impact (37); period (35); year (33); remuneration (27); lockdown (25); value (25); dividend (24); stakeholder (23); tenant (23); company (22); director (22); management (21);</p>	<p>ensure (35); increase (24); impact (23); work (22); remain (22); include (19); make (19); support (19); manage (18); reduce (18)</p>	<p>financial (48) economic (14); social (14); long-term (13); local (12); key (11); best (10); new (10) senior (10); challenging (9)²</p>

(continued)

Principles	Texts' length	Top 20 nouns	Top 10 verbs	Top 10 adjectives
Remarks	¹ term (with the same frequency of occurrence as 'shareholder'); ² current, human, strategic 21 020 words	need (21); performance (21); shareholder (21) frequency of occurrence as 'shareholder'; COVID-19 (227); business (134); employee (118); pandemic (110); management (84); customer (69); service (66); response (64); risk (63); value (62); impact (59); safety (53); year (48); client (47); focus (45); strategy (44); time (44); health (42); capital (40); plan (39)	ensure (77); continue (72); include (72); provide (60); manage (54); support (50); create (47); increase (46); enable (41); deliver (40)	digital (79); new (61); financial (45); operational (29); strategic (29); key (26); significant (23); clinical (21); global (21); essential (20)

Source: Own presentation

Table 4.

challenging times, strong teamwork across functions has played a vital role in the effective response to the difficult operating environment's challenges. The organisations had to understand deeply the range of products and services on which their customers genuinely depend. Thus, this situation induced effective cooperation with suppliers to provide reasonable prices on these essential items and ensure they always remain in stock.

Some entities have gone even further by offering their technologies to support and assist governments in modelling the virus's spread. For instance, *Vodacom* partnered with the National Institute for Communicable Disease in South Africa to use its geodata tracking and Big Data capabilities to enhance government insights into population movement.

The examples of various forms of stakeholder cooperation in the era of the COVID-19 pandemic can be multiplied. For example, *Sasol* worked with relevant institutions to facilitate the excise licence process to enable new manufacturers to use under-natured ethanol in producing hygiene products and hand sanitisers. The company also cooperated with labour authorities and industry associations to support transparency and understanding of the pandemic restrictions implemented for employee health and safety.

Stakeholder collaboration was visible in organisations from the life health-care sector as well. The pandemic provided a unique opportunity to build new partnerships between health-care providers and governments. *Life Healthcare Group Holding* (here *Life Healthcare*) declared in its integrated report.

We believe healthcare providers have a moral obligation to engage, cooperate and partner with government to find solutions and support the fundamental principle of universal healthcare coverage. (*Life Healthcare, 2020*, p. 71)

This statement proves that adherence to the stakeholder cooperation principle results from stakeholder engagement and may lead to the stakeholder responsibility principle's implementation.

6.2 The principle of stakeholder engagement

Stakeholder engagement is conceptualised from different perspectives in the literature. Firstly, this term can be investigated in terms of the strategic management perspective, which is primarily utilitarian (*Mathur et al., 2008*). In this concept, the reasoning for engaging stakeholders derives from "well-being of an organisation or the achievement of its objectives" (*Brugha and Varvasovszky, 2000*, p. 241).

The second perspective has ethical roots and requires engagement with a broad range of stakeholders intending to strengthen the responsibility towards society. It is entirely different from the first perspective, which appreciates primary stakeholders such as shareholders or employees. The ethical branch of stakeholder engagement is firmly entrenched in the dimensions of participatory governance, equity and transparency in the context of public policy and citizens, who have the right to determine their needs and expectations and value the quality of the participation process (*Mathur et al., 2008*).

The last perspective reflects stakeholder engagement as a social process based on dialogue, shared understanding, and mutual learning (*Innes and Booher, 2004; Mathur et al., 2008*). Mutual or 'social' learning is the process of framing issues, exploring and analysing alternatives, and discussing choices or pathways (*Daniels and Walker, 1996*, p. 73).

Preble (2005) combines the first and last concept and perceives stakeholder engagement as a social process and a crucial step in the stakeholder management process which follows identifying stakeholders, assessing their claims or expectations, determining performance gaps arising from the discrepancy between these claims or expectations, and how an organisation can meet them through prioritising the demands of stakeholders. According to

Preble (2005), stakeholder engagement involves developing policies, strategies and organisational responses to minimise the gaps and considering stakeholder priorities. It can be achieved using various stakeholder engagement techniques such as direct communication and open dialogue, collaborating and partnering. However, it should be stressed that some researchers recognise one-way communication that may take a structured form based on consulting with potential stakeholders as a manifestation of stakeholder engagement (Thomson and Bebbington, 2005). In comparison, others claim that engaging stakeholders means trust-based collaborations with objectives that can only be achieved jointly (Andriof and Waddock, 2002) and thus, it is firmly two-way communication where synergistic efforts create more value than separate actions.

The uncertainty brought on by the COVID-19 pandemic, social distancing and lockdown protocols entailed the need for prompt reconsidering of the manner and frequency of stakeholder engagement. The world health crisis made organisations aware that engaging in traditional ways may not be effective any longer. The analysed companies admitted that communication in the pandemic should be open, transparent, concise, frequent and aimed at heightening awareness and clarifying any uncertainty. Therefore, most of them focused on strengthening relationships with stakeholders.

Redefine Properties introduced extensive proactive stakeholder campaigns to ensure that two-way communication was maintained and increased where possible (*Redefine Properties, 2020*, p. 108).

Our values remain the core message and driver in all our communications, and we continue to reinforce our purpose. Furthermore, regular employee check-ins between line managers and employees were conducted using a multitude of digital communications platforms such as telephone, email, text message, and video conferencing. A group-wide COVID-19 awareness initiative was also implemented to create awareness and to provide information about specific employee benefits, which support the emotional and physical health of our staff and their families. (*Redefine Properties, 2020*, p. 97)

Aspen Pharmacare, the health-care company, launched multiple digital platforms to improve communication with key customers and health-care professionals. It adopted digital resources, including websites, webinars, online forums, social media platforms, digital texting and medical device applications to present content, promote brands and host events (*Aspen Pharmacare, 2020*, p. 45).

Reunert addressed the importance of “competent, flexible and compassionate leadership” that is ready to implement necessary changes in the business environment and whose approach is “structured, sensible, considered, and caring” in these challenging period (*Reunert, 2020*, p. 26 and p. 60). Therefore, the company organised formal monthly engagement with all the business units and committed to communicating with all employees bi-annually.

The bi-annual communication included the group’s financial performance, the Group Values roll-out, employee well-being programmes, the Group’s CSI initiatives and anti-bribery and anti-corruption messages. These talks were accompanied by Reunert’s printed leaflet, Let’s Talk, that was distributed to all employees. Reunert respects the freedom of expression of all its employees. (*Reunert, 2020*, p. 53)

Vodacom even took a further step and launched a series of ‘fireside chats’ where employees had an opportunity to engage with the CEO in open question and answer sessions every two months. COVID-19 pandemic resulted in these meetings taking place weekly to keep staff informed and share views and concerns. The company estimated that 3 000 employees attended on average each of these sessions (*Vodacom, 2021*, p. 72).

Interestingly, the letters to stakeholders, which are parts of integrated reports, show how CEOs used various discourse techniques to strengthen the emotions and express the psychological state. In this way, they explicitly appreciated stakeholder commitment or stressed the organisation's involvement in mitigating negative COVID-19 impacts.

The Covid-19 pandemic impacted our employees, communities, suppliers, customers, funders and shareholders. Without their support and willingness to collectively seek solutions, the impact of the pandemic on our business would have been even more severe. In these difficult times, close relationships, transparency, and trust are most vital. We thank you for the faith you have shown in us. (Sappi, 2020, p. 30)

The outbreak of the pandemic highlighted the importance of engagements between the private and public sectors. Many organisations from the private healthcare sector like *Netcare* or *Life Healthcare* expressed their commitment to partner governments to identify ways of collaborating with the public sector to combat the pandemic.

Involved in B4SA's health working group to identify ways the private sector could assist government and the public sector in dealing with the pandemic. Negotiations between government and business in preparation for the pandemic showed encouraging pragmatism and collaboration that bode well for the urgent but challenging discussions that introducing universal healthcare in SA (here South Africa) will demand. (Netcare, 2020, p. 38)

Guided by our belief that healthcare providers have an obligation to partner with government, especially during times of unprecedented crisis, we were ready to assist the South African government in various ways to treat public sector patients in our facilities. During the pandemic, the group also engaged with the various governments and regulators in the other countries in which we operate, to ensure that Life Healthcare contributed, where it could, to a collective effort in fighting the pandemic. (Life Healthcare, 2020, p. 153)

It must be emphasised that these attitudes are consistent with the democratic approach discussed by Ridley and Jones (2002), who distinguished it from a consumerist approach. The latter is instrumental and derives from the private sector's desire for market competitiveness (Mathur *et al.*, 2008). Whereas a democratic approach, in the process of participation for the ethical issues, promotes the representation of diverse interests towards a more unified, equitable and effective public system. *Netcare* and *Life Healthcare* expressed their willingness to make substantial efforts towards overcoming the persistence of poverty and economic inequity and to broaden access to quality health care for public sector patients.

6.3 *The principle of stakeholder responsibility*

COVID-19 caused a debilitating blow to various communities across the world. It disrupted economic and educational infrastructures and set new challenges to the humanitarian sector in the situation of closed borders and health services coming under enormous strain. However, it also revealed the intertwined nature of the relations between the stakeholders. Therefore, many businesses emphatically had to take their role as a responsible corporate citizen. In many cases, this responsibility went beyond a commitment to care for employees and embraced accountability for society. One of the analysed organisation clearly stated that the lessons learned from the pandemic provided opportunities to improve the way it operated to ensure that the company held on creating sustainable value for its all stakeholders in future (Attacc, 2020, p. 39). *Redefine Properties* highlighted that the health crisis showed the company's dependence on natural resources and stressed the need for responsible consumption. The organisation emphasised that the Board understood this

situation even more than ever. Therefore, they include ESG considerations in an integrated business strategy and day-to-day operations (Redefine Properties, 2020, p. 26).

Kujala *et al.* (2017) remarked that company stakeholder responsibility attitude considers stakeholder engagement as crucial to firm long-term success. The ethical perspective of stakeholder engagement has a lot in common with responsibility in response to societal norms and philanthropic activities that are perceived as desirable but not mandatory (Carroll, 1991; Windsor, 2001; Wood, 1991; Jamali, 2008). Gao and Zhang (2006) claim that the responsibility that addresses society's expectations often requires information sharing and constructive negotiating opportunities between businesses and their stakeholders. The stakeholder responsibility principle implies that value can be created, traded and sustained because parties to an agreement are willing to accept responsibility for the consequences of their actions and compensate the harms of the third parties.

Obviously, companies cannot be blamed for the outbreak of the COVID-19 pandemic, but for the implications of poor management decisions. The organisations are aware of that as one company highlighted:

It is clear that society's expectations for companies have been set very high during this period. (Woolworths, 2020, p. 80)

Based on this study, we found evidence that the examined companies have taken three directions in implementing the principle of stakeholder responsibility.

Firstly, they focused on prioritising employee health, safety and well-being. *Aspen Pharmacare* concentrated on providing flexibility. The company adjusted leave policies and focused on employee support initiatives. Moreover, they improved the leader support and training to provide useful leadership tools and foster collaboration in teams (Aspen Pharmacare, 2020, p. 88). *Sappi* delivered extensive employee well-being services to manage individual fears, stress, loneliness, anxiety or depression of employees in this abnormal time. They developed individual sessions, education materials and introduced change management (Sappi, 2020, p. 31). *Woolworths* provided employees and their families access to a confidential employee assistance helpline for psychological and emotional support. The company introduced strict health and safety protocols, transitioned most head office staff to work from home, delivered cloth masks to store staff, and free access to the flu vaccine for all employees (Woolworths, 2020, pp. 29–30). The executive committee of *Life Healthcare* company decided to suspend its members' short-term incentives and, together with the non-executive directors, voluntarily donated up to 30% of their salaries for six months to funds dedicated to employees and contractors impacted by the COVID-19 pandemic. Additionally, *Life Healthcare* funded accommodation for these employees who could not isolate or quarantine at home (Life Healthcare, 2020, p. 30)

Secondly, the companies partnered and supported the governments to combat the effects of the virus on the economy and society. For instance, *Vodacom* used its Big Data analytics to help the government track the spread of the virus and monitor population movements. The company provided timely and authentic information on COVID-19 via different channels and zero-rating data links to government and other websites. Moreover, it donated 20,000 smartphones, 100 terabytes of data and 10 million voice call minutes to the Department of Health in South Africa (Vodacom, 2021, p. 4). Likewise, *Telkom* harnessing digital technology's power and grappling with complex data set provided a solution called *COVIDConnect*. It enables to use the public sector's *GovChat* and *Health Check WhatsApp* platforms to provide public screening for COVID-19 and aggregates data to support better pandemic management (Telkom, 2021, p. 76)

Thirdly, the responsible actions of the analysed organisations concerned the charity donations and various community activities. Some companies like *Exxaro Resources*, *Reumert*, *Sasol*, *Redefine Properties*, or *Impala Platinum Holdings* donated to the *Solidarity Fund* – a platform established in March 2020 for both the public and private sectors to assist the fight against COVID-19.

From a community perspective, approximately R1.95 million was spent on various COVID-19-related initiatives including an R20 million donation to the Solidarity Fund, R13.9 million towards small, medium and micro-enterprises (SMMEs) and R7 million for two testing facilities at Grooteeluk and Matla. ([Exxaro Resources, 2020](#), p.52)

Netcare, *Life Healthcare*, *Aspen Pharmacare* and *Redefine Properties* supported or cooperated with *Business for South Africa's (B4SA) COVID-19 initiative* - a collaboration between *Business Unity South Africa* and the *Black Business Council*. It was created to engage private sector resources and capacity to support the government and the public sector in dealing with the pandemic.

We support the national B4SA campaign to pay SMEs within 30 days of invoice. This campaign is a collective effort to ensure that South African businesses survive the economic crisis, which has been intensified by Covid-19 lockdowns. We have formally committed to paying our SME suppliers within 30 days. ([Redefine Properties, 2020](#), p. 110)

The other charity actions covered community support projects focusing on education, environment, health and welfare. Companies donated food relief projects, cloth masks, hand sanitisers, gloves, personal thermometers and provided funding to families for the funerals of employees who lost their lives due to the COVID-19 pandemic. The multitude of social activities proves that although human beings are complex, cover different values and have divergent motives, they sometimes need to join efforts in the common interest. It brings us to the following principle of complexity.

6.4 *The principle of complexity*

Complexity in stakeholders' context derives from their power induced by legal or voting rights, economic situation, political and social issues, information edge and knowledge advantage. Extensions of stakeholder theory reflect that human beings are boundedly self-interested rather than exclusively self-interested ([Tantalo and Priem, 2016](#)). [Gotsis and Kortezi \(2011\)](#) emphasise that boundedly self-interested people should represent these qualities that can transform the nature of activities to the direction of collective well-being. The exclusive self-interested people make decisions only to maximise their utility ([Boaventura et al., 2020](#)). However, many of the values may be jointly determined and shared. Thus, SC works because of the stakeholder complexity rather than despite it. Moreover, the stakeholder synergy perspective suggests that managers can increase utilities by acting simultaneously for multiple stakeholder groups, rather than setting priorities and making choice trade-offs among them ([Post et al., 2002](#); [Tantalo and Priem, 2016](#)).

The COVID-19 pandemic has been disruptive globally and put pressure on many organisations to adapt to this extraordinary situation. The analysed companies tried to respond adequately to stakeholders' needs and expectations, respecting the pandemic's damaging impact on certain groups. They often must adopt a multi-faceted approach to balance various interests because the pandemic impacted costs and revenues, ways of working, health and employees' safety.

Covid-19 presented significant challenges to our employees' safety, health, and well-being. Government measures differed from country to country, and we tailored our responses to comply with local requirements. We also adhered to country-specific government and health policy guidelines within an overarching Group best practice framework. We introduced daily, weekly and monthly reviews in all regions to ensure real-time responses as the situation changed. (Life Healthcare, 2020, p. 134)

For instance, *Absa Group* presented how it responded to the crisis considering the complexity of stakeholders (Absa Group, 2020). The company had to strengthen its business continuity plans to sustain all the operations. Resilience plans concerned the liquidity and capital base, the needs of customers, and regulatory engagements. However, simultaneously *Absa Group* cooperated with public health authorities and agencies in all countries where it operates to support these institutions' coordinated efforts. Moreover, the company has initiated the citizenship programme to provide humanitarian and community support initiatives. *Absa Group* also announced a comprehensive payment relief programme for the customers being in line with the respective laws and conditions in various countries where it operates. Finally, it offered its expertise to policymakers and industry bodies. Thus, the management's response to stakeholders after the pandemic's outset, in this case, was swift, factual, balanced and sensitive to the complexity.

Freeman and Phillips (2002) claim that formulating a response to fundamental value questions is a top management task. Moreover, there are no "right" answers because management may engage stakeholders in value creation and ethical actions in many ways. As the contemporary world is uncertain, and managers are relatively rational in their choices, they are expected to consider the consequences of their actions on others and equipoise the impact while considering stakeholder complexity.

6.5 The principle of continuous creation

The principle of continuous creation states that business, as an institution, is a source of value creation. Businesses continuously create new value sources through innovative technologies and solutions. Development of new ideas is possible due to collaborations with the actors motivated by value creation. The value creation constitutes a significant interest in the stakeholder theory (Freeman *et al.*, 2010; Garriga, 2014; Harrison *et al.*, 2010). Harrison *et al.* (2010) remark that relationships with stakeholders based on trust help organisations obtain information about the stakeholder utility function, which leads to competitive advantages such as increased demand and efficiency, increased innovation or more remarkable ability to cope with an unexpected situation.

On the other hand, many papers based on instrumental stakeholder theory highlight the role of trust and cooperation in creating wealth and a competitive advantage for an organisation itself (Jones, 1995; Preston and Donaldson, 1999). The "utility function" of a stakeholder translates into welfare that refers to an individual or group's well-being. Stakeholder welfare is one of the variables that facilitates an understanding of stakeholder value creation (Samant and Sangle, 2016). The companies seem to notice the importance of stakeholder welfare, as evidenced by the content provided in their integrated reports.

The health and safety of our employees and the social welfare of our communities remain key priorities for Implats, underpinned by our values of respect and care and our strategic imperative of responsible corporate stewardship (Impala Platinum Holdings, 2020, p. 40)

New technologies are currently essential in various areas of life, including healthcare, the delivery of critical services, coordination of the national emergency task force, keeping businesses working, and ensuring that people can communicate online. The COVID-19

pandemic accelerated the adoption of specific technologies, such as digital business and cloud solutions. Many companies had to challenge their staff to innovate and stay ahead of digital trends. *Telkom* highlighted that being just a technology company may be insufficient.

[...] we must be able to provide a comprehensive and flexible package that will ensure the success and security of our customers and society on this digital transformation journey. Workspaces have changed, automation has increased, and industries are becoming decentralised. A new normal is being created. (*Telkom, 2020*, p. 61)

There are many examples of how the examined organisations progressed due to the COVID-19 pandemic. *Telkom* decided to focus on cloud and digital platform solutions to strengthen and enhance capabilities across customer-facing and network-facing technologies that is a part of the digital transformation journey (*Telkom, 2021*, p. 66).

SkyWire, the business unit of *Reunert*, expanded its network in 24 new geographies and founded 28 new high-site towers. Despite the pandemic, *SkyWire* delivered nearly a thousand new customer installations, which was a 132% increase compared to 2019 (*Reunert, 2020*, p. 42). Interestingly, *Vodacom* - a technology company - formulated the Social Contract in its integrated report published in March 2020. It reflected the commitment to being responsible towards stakeholders and harnessing digital technology's power in joint efforts to flatten the disease curve of the pandemic.

Vodacom's purpose is to 'Connect for a better future'. As a technology company, we use our technology and communications services to connect people and enable businesses in an increasingly digital world. Enhanced communication improves the overall quality of life, promotes efficiency, and facilitates greater social inclusion by enabling the sharing of information among individuals, communities, and businesses.

In delivering on this purpose, the Vodacom Group has committed itself to a Social Contract, guided by three core principles:

- (1) To promote a duty of care to our customers through affordable, easy to use products and services with transparent pricing.
- (2) To ensure fairness and promote digital inclusivity, through enhanced access to digital products, services, and infrastructure.
- (3) To demonstrate responsible leadership and innovation in driving the transformation to a digital society." (*Vodacom, 2020*, p. 2)

A year later, in the next integrated report of 2021, the company stressed that the Social Contract served as the foundation of COVID-19 response strategy and enabled *Vodacom* to build a reputation and deliver its promises to stakeholders (*Vodacom, 2021*, p. 75).

COVID-19 caused a radical shift in the way that employees work and communicate. To maintain its human resources in strong stead for future growth and ensure that employees contributed to value creation, companies had to take several innovative actions to adjust workplaces to new conditions. *Woolworths* reviewed employees' structure and capability to ensure optimal resourcing and skills required for future business needs. The company redesigned the office workspace and ways of working. It also introduced leadership development programs to enhance leaders' capabilities (*Woolworths, 2020*, p. 80). Likewise, *Pick n Pay Stores* modernised its ways of working, including the structure and organisation of the head office teams, decision-making processes and the use of information and other technologies (*Pick-n-Pay Stores, 2021*, p. 43).

The pandemic influenced how top management coped with the business model, governance systems and financial viability to preserve the value in these unprecedented times. They had to be innovative, agile, and responsive in implementing actions that could facilitate business sustainability during the health crisis. *Redefine Properties* reported that its Board aimed to focus on business continuity, adaptation strategies and resilience mitigations. It had to manage risks and opportunities, govern financial metrics, revise strategy in terms of medium- and long-term effects of the COVID-19 pandemic on value preservation and creation, balance flexibility with monitoring and control and ensure active stakeholder engagement (*Redefine Properties, 2020, p. 18*).

6.6 *The principle of emergent competition*

Stakeholder identification theory indicates that stakeholders differ in terms of their power and the urgency of claims (*Mitchell et al., 1997*). Stakeholders possess power because they have access to the resources the organisation needs. This power enables them to influence the organisation to take a prompt decision under the threat that they may withdraw resources from the firm (*Maignan and Ferrell, 2004*). Urgency means “the degree to which stakeholder claims call for immediate attention” (*Mitchell et al., 1997, p. 864*). *Ingenbleek and Immink (2010)* emphasise that urgency exists when a claim is time-sensitive and critical.

Moreover, external pressures caused by unexpected adverse events may increase the urgency of managers’ decision-making about specific issues that are vital for stakeholder welfare. In this vein, many authors pinpoint that while building and maintaining vast relationships with stakeholders’ managers should also balance the myriad of stakeholder competing needs simultaneously (*Freeman, 1984; Clarkson, 1995; Donaldson and Preston, 1995; Porter and Kramer, 2011*). Competition is vital in the SC concept, but it is not the primary force. It is in its ability to manage the tension created by simultaneous cooperation and competition that SC distinguishes itself (*Freeman and Liedtka, 1997*). The emergent competition principle says that competition emerges from a relatively free and democratic society so that stakeholders have options.

Due to the COVID-19 pandemic, many organisations had to balance how to meet their critical stakeholders’ expectations. They were enforced to make choices that periodically were to the detriments of some stakeholder groups. However, those decisions were dictated by driving the sustainability of the business in the long term.

This year, we made the decision to as far as possible not to reduce our employee headcount or apply any decreases to their salaries. We initiated several measures to assist employees including, establishing an employee assistance fund, accommodation, providing PPE and payment of funeral costs amongst others. As part of this decision we have, however, reduced temporary staff and increased the utilisation of our permanent employees. While this decision had a short-term cost impact, we believe this was the right decision to ensure we had sufficient capacity during the period to respond to the pandemic. Furthermore, this decision will drive the sustainability of our business in the long term, with the new ways of working being incorporated into future operating models. (*Life Healthcare, 2020, p. 36*)

The world health crisis caused a need to look at the whole business from other perspectives than economic and legal only (*Carroll, 1991*). During the pandemic, the companies were often forced to postpone their ambitious plans boasting future profits, and they had to draft COVID-19 protocols and update workplace policies, processes and procedures following government regulations. It also turned out that ethical (doing what is just and fair and avoiding harm), and philanthropic (being good corporate citizen) perspectives (*Carroll, 1991*) might have been a remedy to leverage the opportunity created by COVID-19 to reimagine the world. *Carroll (2016)* highlights that whereas stakeholders and society require the first

two perspectives, ethical responsibilities are expected, whereas philanthropic ones are desired.

We found evidence that the examined companies have demonstrated resilience, understanding and adaptability under the difficult circumstances caused by the pandemic while trying to keep trade-offs in this abnormal period. For example, *Reunert* reduced the hours worked by less impacted employees at more senior levels, resulting in their lower remuneration, but all vulnerable employees received full remuneration. This decision was taken to ensure business continuity. On the other hand, the company was induced to postpone planned training and some human resources priorities considering depressed market conditions but invested in online working technologies and COVID-19 screening procedures and processes to safeguard employees ([Reunert, 2020](#), p. 55).

Life Healthcare decided to stop the outflow of critical clinical skills and help employees during the pandemic; therefore, it started:

[...] to pay a once-off gratuity bonus to all permanent employees, who do not participate in the long-term incentive scheme. This payment also served as recognition for the incredible efforts, bravery, and commitment of employees during the Covid-19 surge. The value of the total payment made amounted to R45 million and was distributed equally to approximately 15 000 SA employees. ([Life Healthcare, 2020](#), p. 170)

Redefine Properties deferred its dividend payments to preserve cash flow. This decision was dictated by concern for the long-term sustainability of the business. The company wanted to balance shareholders' needs and regulatory requirements (including the JSE Listings Requirements). Moreover, the company was induced to balance needs, offering rental relief packages to tenants in distress with the immediate impacts on cash flows in a situation of growing vacancies and failures of potential tenants.

In making this decision, we had to trade off the short-term needs of our shareholders and the long-term expectations of our broader stakeholders, including our funders, tenants, employees, the greater community and our suppliers. ([Redefine Properties, 2020](#), p. 66)

[Polonsky \(1995\)](#) remarks that balancing the competing needs of different stakeholder groups creates challenges for managers. It requires patience, rotating attention and adequate resources that will be evenly allocated to each stakeholder group ([Tantalo and Priem, 2016](#)). On the one hand, [Ingenbleek and Immink \(2010\)](#) suggest a standard formulation process that can help resolve the potential conflicts by providing a controlled setting in which stakeholders will search for trade-offs. The authors claim that this process's nature may differ for various stakeholder configurations and unique positions of special interest groups. [Mitchell et al. \(1997\)](#), distinguish between definitive (high power, high urgency), dominant (high power, low urgency), discretionary (low power, high urgency) and dependent (low power, low urgency) stakeholders.

Discretionary stakeholders, for instance, are most likely the recipients of corporate philanthropy ([Carroll, 1991](#)). Companies should consider whether to respond to their urgent interest and collect positive impressions of the corporate image or ignore them because of their relatively low power. On the other hand, [Tantalo and Priem \(2016, p. 315\)](#) state that managers may "identify new combinations of different utilities, each valued by different stakeholder groups, which may be increased together"; it is labelled "stakeholder synergy". The authors persuade managers to create the total joint value to important stakeholder groups, rather than searching for compromises that only distribute the current value among the interest groups.

7. Conclusion

SC is not a new concept because stakeholders' significance to organisations' success was highlighted in the works of managerial theorists Eric Rhenman, Igor Ansoff and Russel Ackoff in the 1960s (Freeman and Liedtka, 1997). SC assumes that an organisation as an integral part of society should consider all constituents' needs to its path to success, not just shareholders. Although some years later, Milton Friedman (1971) did not share this view claiming that the purpose of the capitalist system was to increase wealth for the investors as the primary interest group, presently, the idea of SC starts to gain heightened traction (Grove *et al.*, 2020). For instance, in 2019, the new Statement on the Purpose of a Corporation was signed by the CEOs of the Business Roundtable (the representatives of the most influential companies), which exemplified a step forward beyond shareholder primacy and opened the era of corporate responsibility to stakeholders (Lewis, 2020).

However, organisations may encounter problems implementing SC since many individuals and institutions still do not understand why companies should serve collective interests. The impact of global pandemic alongside the current burning issues of climate change, resource scarcity and poverty may contribute to change in this attitude and re-direct organisations towards "managing for stakeholders" (Freeman *et al.*, 2007b), but concerning the need for making an appropriate evaluation of the value distribution to each of stakeholder groups (Boaventura *et al.*, 2020). Lack of limits on generous treatment may lead to the situation wherein an organisation provides so much value to meet the expectations of broad stakeholders that "there is not enough material value left for all of the primary stakeholders to realise their stake in the firm" (Boaventura *et al.*, 2020, p. 5).

Our study examines whether and how business organisations denoted as excellent preparers of integrated reports have applied SCPs during the COVID-19 pandemic and how integrated reports have communicated these efforts. It proves that most of the examined companies complied with all six SCPs, and only one entity did not deliver evidence on the observance of the two principles of complexity and emergent competition. The findings also show that the global pandemic significantly affected how the companies had to re-direct their focus from the routine activities and predictable future towards balancing the response to stakeholder needs in the face of volatile times. IR preparers were challenged to adequately reflect the pandemic's pervasive impact on business operations. Many of them presented how the strategy's execution was affected and how the existing plans were revised to recover growth, profitability and returns.

The openness, transparency and various kinds of support given to stakeholders (financial, emotional, psychosocial), which were reflected in the narratives of the integrated reports have proved that common decency and fairness were not set aside in the name of playing the game of business (Freeman and Liedtka, 1997). Interestingly, it is not in line with the IIRC position suggesting that IR focuses on the business "as usual" and the integrated reports mainly deliver information on the needs of financial capital providers. Our investigation provides evidence that the examined IR organisations were characterised by growing awareness of their substantial impacts on society and the environment, which may be considered a first step to ensure the long-term sustainability of life on the planet.

Our work has two theoretical implications. First, we argue that stakeholder theory currently loses relevance in the meaning of the instrumental approach that appreciates benefits for companies deriving from cooperative relationships with stakeholders and stakeholder management. Considering the legitimate claims of only those constituents who provide the company with critical resources (Hill and Jones, 1992) may be a short-sighted policy. Such an approach leaves little room for broader recognition of stakeholders needs and expectations, and in this regard, the normative perspective of stakeholder theory earns

since it “challenges the view that stakeholder groups are a means to a profitable end” (Crane and Ruebottom, 2011, p. 79). The normative approach is more in line with Kantian ethics, implying that “stakeholders are an end in themselves” (Crane and Ruebottom, 2011, p. 79).

Second, the stakeholder theory underpins SC which draws from the libertarian roots but in its origin concentrates on how value is created rather than how it is distributed at the societal level (Freeman and Phillips, 2002). Such an understanding of SC makes it closer to the instrumental perspective of stakeholder theory. However, Freeman and Liedtka (1997) remark that human beings are at the centre of any value creation process. This gives rise to a moral discourse about common decency that should prioritise an ethical stance over profits payoffs. In this context, the appeal of Schwab (2019) to business leaders seems to be on time and may change the orientation of SC toward respect for the claims of society and future generations and the well-being of the planet in the long term.

The study also involves practical implications. First, the empirical evidence proves that business organisations may become “fully human institutions”. It was reflected in the multitude of social and charity activities the analysed companies undertook when they faced the pandemic as an expression of their efforts towards the common interest. Harrison and Bosse (2013, p. 315) draw attention to the phenomenon of positive reciprocity, which appears when an organisation “provides a stakeholder with greater total value than expected and the stakeholder responds by putting forth greater effort on behalf of the firm”. This type of mutual reinforcement may benefit both parties in the global pandemic situation because, in general, trustworthiness leads to more trustworthiness, whereas sharing valuable information encourages better two-way communication (Harrison and Bosse, 2013).

Second, we claim that using IR as a communication tool may cause positive social and environmental changes, although its current shape does not leave much space for a substantial reorientation towards sustainability, which was also highlighted by Thomson (2015). In this context, both instrumental and normative cores of stakeholder theory that underpin SC may support IR in its transformation into value and accountable reporting, particularly in the times of the COVID-19 pandemic.

Finally, observance of the SCPs initiates a long journey toward making the companies closer to ensuring the long-term sustainability of life on the planet and not just achieving the sustainability of the business. It is worth mentioning that in the analysed cases of reports' preparers for South Africa, the reasons for SCPs observance may lie not only with the current pandemic but also stem from a stakeholder-inclusive approach adopted by King IV. The Code considers and balances “the legitimate and reasonable needs, interests and expectations of all material stakeholders” (IoDSA, 2016, p. 17). From the practical point of view, serving the stakeholders' interests should not be perceived as the only goal since the adoption of inclusive capitalism also has an intrinsic value for board decision-making.

Our research findings evidence that in the COVID-19 pandemic a unique companies' attention was given to employees and local communities. Even though IIRC's position was initially much closer to the instrumental perspective of stakeholder theory (Flower, 2020), the best preparers of the integrated reports had to extend their approach and regard broad stakeholders' expectations than just investors. Therefore, we argue SC we focus on in the current paper might serve the common interests. It refers not only to business organisations suggesting they orientate on long-term value creation while respecting the interests of other parties and considering the environmental impacts on the planet. It is a broader concept engaging governments in a joint effort to create prosperity for their people, attracting society to enter the dialogue and other parties that can help balance the interests of people and the planetary well-being (Schwab and Vanham, 2021). Thus, although it still might be

early to state that, we suggest that SC during pandemic might have found its path toward encouraging companies to act on the sustainability of life on the planet.

Our study analysis has two limitations. It covers South African companies categorised as excellent in the *EY Excellence in Integrated Reporting Award 2020*. Indeed, the examination of the nominated integrated reports' preparers has the advantage because it draws attention to the best reporting practices. However, on the other hand, it may not present the overall situation since the sample, although complete in its category, is limited because it does not reflect the other classes of 'good', 'average', and 'progress to be made' companies. Another boundary that one may remark is the specific period of the analysis carried out. There may arise the question of whether changing focus in the reporting practices will be sustainable, or it is only a sign of the challenging times.

This study opens a promising avenue for future research. The COVID-19 pandemic has created opportunities for re-assessment of the SC concept and a debate on the boundaries of organisations' ethical stands. An interesting direction to explore may also be examining the real transformative potential of IR processes catalysed by growing interest in the SC concept. Indeed, this is far from the IIRC position focusing on IR perceived as a reporting norm (Humphrey *et al.*, 2017; Rinaldi *et al.*, 2018), which indicates how to prepare an integrated report, but it does not suggest how specific actions and processes pave the way to realise the Integrated Thinking concept. However, preparers of the integrated reports should not be passive followers of regulations but reflective and pragmatic constructors (Dyczkowska and Fijalkowska, 2022) who respond to reality and shape it. Such a perspective offers an insight into how business practice interacts with the external world and becomes ready for the change in the design archetypes, tangible sub-systems or interpretive schemes (Laughlin, 1991) while going beyond the regulatory frameworks. Nonetheless, that kind of research may require triangulation of data collection methods to differentiate data sources from structured interviews, participant observations and other documentation.

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