

Stakeholder Engagement in ESG and Its Impact on Financial Reputation in Property

Denpharanto Agung Krisprimandoyo^{1*}, Lina Mahardiana²⁾, Garry Brumadyadisty³⁾, Siska Armawati Sufa⁴⁾, Maryam⁵⁾

¹⁾Universitas Ciputra Surabaya, East Java, Indonesia

²⁾Universitas Tadulako, Sulawesi Tengah, Indonesia

³⁾Universitas Islam Syekh Yusuf Tangerang, Indonesia

⁴⁾Universitas Dr. Soetomo Surabaya, East Java, Indonesia

⁵⁾ Universitas Malikussaleh, Aceh, Indonesia

*Corresponding Author

Email: agungkris@ciputra.ac.id

Abstract

This study analyzes the role of stakeholder engagement in ESG practices in shaping corporate reputation and financial performance within the real estate industry in Southeast Asia. The primary issue lies in the unclear mechanism through which stakeholder engagement generates financial value. This research aims to examine both the direct and indirect effects of stakeholder engagement on financial performance, with corporate reputation serving as a mediating variable. The study adopts a quantitative approach by surveying 150 ESG professionals and analyzing the data using PLS-SEM. The measurement model demonstrates strong reliability and validity, with indicator loadings ranging from 0.742 to 0.896, Composite Reliability values between 0.888 and 0.926, and AVE values between 0.614 and 0.718. Structural results indicate that stakeholder engagement significantly influences corporate reputation ($\beta = 0.704$; $T = 18.024$; $R^2 = 0.496$; $f^2 = 0.983$), but does not exert a significant direct effect on financial performance ($\beta = 0.126$; $T = 1.162$; $f^2 = 0.013$). Corporate reputation significantly affects financial performance ($\beta = 0.539$; $T = 4.832$; $R^2 = 0.402$; $f^2 = 0.245$). The significant indirect effect ($\beta = 0.379$; $T = 4.393$) confirms full mediation. Q^2 values of 0.344 and 0.278 confirm predictive relevance. These findings indicate that ESG-related financial benefits arise through reputation rather than through engagement activities alone. Firms should prioritize authentic and credible engagement to build sustainable reputational capital.

Keywords: Stakeholder Engagement, Corporate Reputation, ESG

INTRODUCTION

The rapid institutionalization of Environmental, Social, and Governance (ESG) practices has positioned stakeholder engagement (SE) as a central mechanism through which firms demonstrate accountability, transparency, and responsiveness in increasingly complex business environments. In the real estate industry, which is characterized by substantial environmental externalities, long term asset cycles, and significant community impact, stakeholder expectations concerning sustainable practices have intensified. Prior research conceptualizes Stakeholder Engagement as a multidimensional construct comprising stakeholder involvement, transparency, dialogue mechanisms, responsiveness, and ESG reporting quality, each of which strengthens organizational legitimacy and signals a firm's commitment to responsible conduct (Aldowaih et al., 2022; Lin et al., 2024). As ESG disclosure becomes more mainstream, firms are expected not merely to report but to actively engage stakeholders through robust communication and participatory mechanisms.

Corporate reputation, as a strategically significant intangible asset, has simultaneously gained prominence in sustainability and strategic management literature. Similarly, research by Sufa (2024) explains that the significant positive relationship observed between tourist infrastructure and tourist visit intention underscores the crucial role that well-developed infrastructure plays in attracting and retaining tourists.

Reputation captures stakeholders' perceptions of trustworthiness, credibility, quality, responsibility, and overall organizational approval (Sarstedt et al., 2023; Stravinskienė et al.,

2021). It is widely recognized as a key determinant of competitive advantage and long-term performance, especially in industries where customer trust, regulatory approval, and community support are critical. The theoretical underpinnings of reputation span Stakeholder Theory, Legitimacy Theory, the Resource-Based View (RBV), and Signalling Theory, highlighting its role in reducing information asymmetry, securing societal acceptance, and enhancing firm value (Karakaya, 2025).

Financial performance remains a core indicator of firm success and is increasingly linked in the literature to ESG practices, responsible conduct, and stakeholder-driven governance. Profitability, ROI, revenue growth, and market value perception are commonly used to assess not only backward-looking financial conditions but also investor expectations and future value creation (Vardarsuyu et al., 2023). Emerging evidence suggests that ESG engagement improves financial outcomes by lowering risk, strengthening customer and investor trust, and improving operational efficiencies (Aldowaish et al., 2022; Bouichou et al., 2022). Despite these advancements, the real estate sector, particularly in emerging markets, remains insufficiently examined with respect to how stakeholder engagement translates into financial value and whether corporate reputation functions as a mediating mechanism linking ESG engagement to organizational performance.

Although ESG adoption has grown rapidly in the real estate industry, firms continue to face uncertainty regarding how stakeholder engagement generates tangible business value. Much of the existing literature emphasizes the conceptual importance of SE but offers limited empirical evidence connecting SE directly to corporate reputation and financial performance within real estate contexts. Theoretical frameworks suggest that SE should enhance trust, legitimacy, and credibility, yet empirical results remain fragmented due to inconsistent measurement practices, divergent ESG rating methodologies, and contextual differences across industries and markets (Lin et al., 2024; Zhang & Zhang, 2023). This gap is particularly evident in emerging economies, where ESG institutionalization is uneven and stakeholder pressures vary widely.

The literature proposes a general solution that involves employing robust theoretical frameworks, including Stakeholder Theory, Legitimacy Theory, and the Resource Based View, to explain the mechanisms through which Stakeholder Engagement influences corporate reputation and financial performance. SEM-PLS is increasingly recommended for modeling complex relationships involving latent constructs, particularly under non-normal data conditions and prediction-oriented objectives. Through a mediation framework, corporate reputation is theorized to serve as the mechanism that converts stakeholder engagement into superior financial performance. However, empirical validation of this mechanism remains limited in the real estate sector, thereby necessitating the present study.

The scientific literature offers several theoretically grounded solutions to understanding how stakeholder engagement influences corporate outcomes. Stakeholder Theory posits that organizations create value by aligning their strategies with stakeholder expectations; thus, transparent and responsive engagement fosters trust and enhances reputational assessments. Legitimacy Theory further explains that ESG-driven disclosure reduces information asymmetry, reinforces societal acceptance, and generates reputational benefits (Cohen & Zhu, 2024). These theories suggest that SE functions as both a relational and symbolic mechanism for securing stakeholder support.

In addition, Signalling Theory and Agency Theory provide complementary insights. Signalling Theory explains that high-quality ESG reporting and transparent stakeholder communication convey credible information about organizational integrity and reduce perceptions of risk, prompting favorable reputational evaluations (Gholami et al., 2022; Tarighi et al., 2022). Agency Theory highlights how SE can mitigate conflicts of interest by ensuring that managerial actions align with the expectations of shareholders and broader stakeholder groups, ultimately enhancing performance outcomes (Chang et al., 2023).

Finally, the Resource-Based View offers a solution relevant to the performance side of the model: corporate reputation is conceptualized as a valuable and inimitable strategic resource that enhances competitive advantage, facilitates investor confidence, and improves long-term financial performance (Pham & Tran, 2020; Salvador & Díaz, 2024). Empirical studies consistently demonstrate that reputation mediates the relationship between sustainability initiatives and financial outcomes, supporting the plausibility of a mediation mechanism linking SE to financial success.

Empirical studies on stakeholder engagement increasingly highlight its significant role in shaping corporate reputation, yet research in real estate industries remains limited. Existing work shows that stakeholder involvement, transparency, and high-quality ESG reporting contribute to stronger reputational assessments (Feng & Wu, 2021; Liu et al., 2022). However, real estate markets, particularly those in Southeast Asia, operate within distinct regulatory environments, investment structures, and socio-economic contexts, which indicate that findings derived from manufacturing, finance, or broader global markets may not be directly generalizable. This contextual gap underscores the need for sector-specific investigation.

Moreover, although the relationship between ESG practices and financial performance has been extensively examined, few studies position stakeholder engagement as the primary antecedent or corporate reputation as the mediating mechanism. Most quantitative ESG research relies on third party ESG ratings; however, variations in rating methodologies constrain their reliability, particularly in assessing dimensions such as dialogue mechanisms and responsiveness (Zhang & Zhang, 2023). Consequently, the causal pathway linking stakeholder engagement, corporate reputation, and financial performance remains theoretically articulated but insufficiently validated empirically in emerging real estate markets.

Finally, despite theoretical consensus across Stakeholder Theory, Legitimacy Theory, and RBV, the literature lacks SEM-PLS-based models explicitly testing the mediating role of corporate reputation. The absence of predictive, reflective-measurement models limits scholarly understanding of how ESG engagement translates into financial value. This study addresses these gaps by applying rigorous PLS-SEM procedures to test a mediation framework supported by multi-theory foundations.

The primary objective of this study is to examine the effects of stakeholder engagement in ESG activities on corporate reputation and financial performance within the real estate industry, while evaluating the mediating role of corporate reputation. Specifically, the study tests the causal relationships between stakeholder engagement and corporate reputation, stakeholder engagement and financial performance, and corporate reputation and financial performance using reflective measurement models and SEM PLS analytical procedures. By empirically validating this structural model, the study aims to clarify the mechanism through which ESG driven stakeholder engagement contributes to financial outcomes.

The novelty of this research lies in its integration of Stakeholder Theory, Legitimacy Theory, and the Resource-Based View to formulate and empirically test a mediation-based ESG model specifically tailored to real estate firms in emerging markets. Unlike prior studies relying heavily on third-party ESG scores or global datasets, this study develops a context-specific measurement approach based on stakeholder-driven constructs. Its methodological novelty includes the application of reflective indicators, rigorous validity testing aligned with Fornell–Larcker and HTMT criteria, and predictive assessment through PLS predict. The scope is limited to real estate industries in Southeast Asia, using a cross-sectional design and focusing exclusively on ESG stakeholder engagement, corporate reputation, and financial performance.

Stakeholder engagement has emerged as a central strategic dimension of ESG research, reflecting organizational efforts to identify, communicate with, and respond to stakeholders' expectations through structured and transparent processes (Lin et al., 2024; Luo & Tang, 2022). Contemporary literature conceptualizes SE as a multifaceted construct comprising stakeholder

involvement, transparency, dialogue mechanisms, responsiveness, and ESG reporting quality. These dimensions collectively illustrate how firms operationalize stakeholder-oriented governance and demonstrate accountability under heightened societal scrutiny (Aldowaisi et al., 2022). SE is theoretically grounded in Stakeholder Theory, Legitimacy Theory, Agency Theory, and Signalling Theory, each providing distinct yet complementary explanations for why stakeholders reward firms that communicate openly and align their actions with social norms (Kind et al., 2023; Zhang & Zhang, 2023).

From a theoretical standpoint, Stakeholder Theory posits that firms that actively manage stakeholder relationships create superior value through trust, collaboration, and reduced conflict. Legitimacy Theory further suggests that high-quality ESG disclosure enhances social acceptance and reinforces stakeholders' perception of organizational integrity (Cohen & Zhu, 2024). Signalling Theory argues that transparent engagement serves as a credible signal of responsible behavior, reducing uncertainty and shaping stakeholder evaluations. Empirically, studies demonstrate that firms with greater transparency, effective communication mechanisms, and high-quality ESG reporting are perceived as more trustworthy and responsible (Feng & Wu, 2021; Nicolò & Peña, 2024).

Given these theoretical foundations, SE is expected to enhance corporate reputation by shaping stakeholders' perceptions of trustworthiness, credibility, and responsibility. SE may also influence financial performance directly by improving decision-making, enhancing customer loyalty, and mitigating operational and reputational risks (Aldowaisi et al., 2022; Bouichou et al., 2022). Accordingly, the following hypotheses are proposed:

H1: Stakeholder engagement has a positive effect on corporate reputation.

H2: Stakeholder engagement has a positive effect on financial performance.

Corporate reputation is widely regarded as a strategic intangible asset shaped by stakeholders' cognitive and affective evaluations of an organization's behavior, performance, and character (Sarstedt et al., 2023; Stravinskienė et al., 2021). It is grounded in multiple theoretical perspectives, including Stakeholder Theory, which positions reputation as a reflection of stakeholders' aggregated judgments; Legitimacy Theory, which emphasizes its socially constructed nature; Signalling Theory, which highlights reputation's role in reducing information asymmetry; and the Resource-Based View (RBV), which conceptualizes reputation as a valuable, rare, and inimitable strategic resource (Karakaya, 2025; Liang & Gao, 2025).

Empirically, reputation is operationalized through indicators such as trustworthiness, credibility, perceived quality, responsibility perception, and overall stakeholder approval (Aggarwal & Saxena, 2022; Sarstedt et al., 2023). Research across strategic management, marketing, and sustainability confirms that corporate reputation significantly influences market value perception, customer loyalty, investor confidence, and long-term economic performance (Fong & Chang, 2021; Zimon et al., 2022). In ESG-related contexts, strong reputation enhances the credibility of sustainability claims, minimizes stakeholder skepticism, and reduces the risk of accusations related to greenwashing (Islam et al., 2020).

Within the RBV framework, corporate reputation is conceptualized as a VRIN asset that contributes to sustained competitive advantage by elevating organizational legitimacy and strengthening relational capital. As such, firms with strong reputations are more likely to realize superior financial outcomes, including profitability, ROI, and revenue growth (Pham & Tran, 2020; Salvador & Díaz, 2024). The literature therefore supports the following hypothesis:

H3: Corporate reputation has a positive effect on financial performance.

Financial performance represents a core evaluative dimension of organizational success and is typically assessed through indicators such as profitability, return on investment (ROI), revenue growth, and market value perception (Tian & Ma, 2023; Vardarsuyu et al., 2023). Although financial performance has traditionally been conceptualized through accounting-based and market-based measures, contemporary ESG research emphasizes its linkage to responsible

corporate practices, stakeholder satisfaction, and strategic resource allocation (Hasu et al., 2025; Rashid et al., 2020). The relationship between ESG engagement and financial performance is theoretically supported by Stakeholder Theory, Agency Theory, and RBV, each asserting that responsible and transparent governance reduces operational inefficiencies, enhances risk management, and strengthens stakeholder trust.

From a stakeholder perspective, firms that invest in meaningful engagement can mitigate conflict, strengthen community support, and secure long term customer relationships, which collectively contribute to improved financial outcomes. Legitimacy Theory further suggests that transparent ESG practices reduce regulatory risks and enhance investor confidence. In addition, the Resource Based View posits that intangible assets, including corporate reputation, mediate the relationship between ESG engagement and financial performance by strengthening the firm's capacity to leverage relational and symbolic resources (Lee et al., 2023; Liang & Gao, 2025). Accordingly, reputation is expected to serve as a mediating mechanism through which SE influences financial performance. Thus, the following mediation hypothesis is proposed:

H4: Corporate reputation mediates the relationship between stakeholder engagement and financial performance.

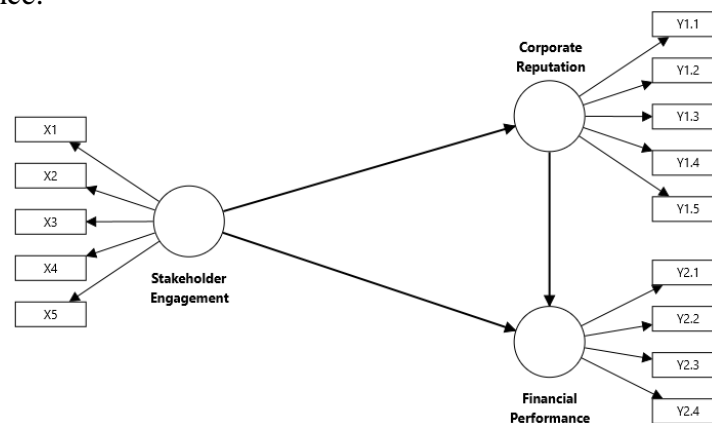


Figure 1. Conceptual Framework

RESEARCH METHODS

This study utilized a structured, self-administered questionnaire to measure stakeholder engagement (SE), corporate reputation (CR), and financial performance (FP), with all constructs operationalized as first-order reflective variables in accordance with perceptual measurement recommendations (Hair et al., 2021), employing indicators adapted from established ESG and reputation literature and measured using a five-point Likert scale. SmartPLS 4 served as the primary analytical tool due to its suitability for complex, prediction-oriented models and non-normal data (Hair et al., 2019; 2022), while supplementary demographic and firm-level data ensured methodological rigor consistent with Creswell and Creswell (2018). Guided by Creswell's (2018) quantitative, explanatory, and cross-sectional framework, the study tested causal pathways among SE, CR, and FP using PLS-SEM, a method appropriate for evolving theoretical domains and latent reflective constructs (Hair et al., 2022). The research design incorporated both measurement and structural model assessments following Hair et al.'s (2022) guidelines, evaluating reliability, convergent and discriminant validity, and structural relationships via path coefficients, R^2 , f^2 , Q^2 , and mediation effects through bootstrapping (Hair et al., 2019). Data collection employed purposive sampling targeting ESG-involved professionals, with surveys distributed electronically and instrument validation undertaken through expert pre-testing, consistent with Creswell's (2018) emphasis on accuracy and ethical considerations. Data analysis followed a two stage PLS SEM procedure that first assessed

measurement validity and reliability and subsequently evaluated structural relationships and predictive performance using PLSpredict. The mediating effects of corporate reputation were examined through bootstrapped indirect effect testing in accordance with the guidelines proposed by Hair et al. (2022).

RESULTS AND DISCUSSION

Demographic Analysis

The demographic results indicate that the respondent profile is appropriate for examining stakeholder engagement, corporate reputation, and financial performance within real estate ESG contexts.

Table 1. Demographic and Respondents Characteristics

Category	Subcategory	n	%
Gender	Male	88	58.7%
	Female	60	40%
	Prefer not to say	2	1.3%
Age Group	20–29 years	22	14.7%
	30–39 years	63	42%
	40–49 years	48	32%
	50 years and above	17	11.3%
Educational Attainment	Bachelor's Degree	71	47.3%
	Master's Degree	63	42%
	Doctoral Degree	5	3.3%
	Other (e.g., ESG Certifications)	11	7.3%
Position / Role	ESG / Sustainability Officer	34	22.7%
	Manager / Assistant Manager	46	30.7%
	Real Estate Developer	28	18.7%
	Senior Executive / Director	26	17.3%
	Analyst / Technical Staff	16	10.7%
Years of Experience	Less than 3 years	19	12.7%
	3–5 years	41	27.3%
	6–10 years	56	37.3%
	More than 10 years	34	22.7%
Firm Type	Developer	54	36%
	Property Management Company	42	28%
	REIT / Investment Firm	32	21.3%
	Construction / Engineering Firm	14	9.3%
	Other (e.g., Consultancy)	8	5.3%
Firm Size	< 50 employees	21	14.0%
	50–249 employees	47	31.3%
	250–499 employees	38	25.3%
	500+ employees	44	29.3%

The gender distribution, consisting of 58.7 percent male and 40 percent female respondents, reflects common industry patterns, while the participation of women suggests increasing involvement in sustainability and managerial roles. A majority of respondents,

amounting to 74 percent, are between 30 and 49 years old, indicating the predominance of mid-career professionals who regularly assume strategic and technical responsibilities related to ESG governance. Educational attainment is high, with 47.3 percent holding bachelor's degrees and 42 percent holding master's degrees, supplemented by respondents with doctoral qualifications or ESG certifications who contribute advanced expertise. Organizational positions are distributed across ESG officers, managers, developers, executives, and technical staff, thereby ensuring representation at both strategic and operational levels. Professional experience further strengthens data reliability, as more than 80 percent of respondents possess over three years of industry exposure, reflecting substantial familiarity with ESG processes and performance outcomes. Diversity in firm type and size, including developers, property management companies, REITs, engineering firms, and organizations of varying scales, enhances sectoral representation and captures different stages of ESG maturity. Overall, these demographic characteristics support the robustness, credibility, and generalizability of the SEM PLS findings by ensuring that the sample consists of experienced and knowledgeable professionals capable of providing informed evaluations of ESG related constructs.

Measurement Model

The measurement model results indicate that all constructs demonstrate strong reliability and convergent validity. All indicator loadings exceed the recommended 0.70 threshold (Hair et al., 2021), with Stakeholder Engagement showing loadings between 0.742–0.822, Corporate Reputation between 0.789–0.896, and Financial Performance between 0.772–0.885, confirming adequate indicator reliability (Hair et al., 2019).

Table 2. Outer loading and measurement models

Variables - Indicators	loadings	α	ρ_A	CR	AVE
Stakeholder Engagement		0.843	0.845	0.888	0.614
stakeholder involvement	0.8				
transparency	0.805				
dialogue mechanisms	0.822				
responsiveness	0.742				
ESG reporting quality.	0.746				
Corporate Reputation		0.899	0.899	0.926	0.713
trustworthiness	0.896				
credibility	0.859				
quality perception	0.789				
responsibility perception	0.859				
stakeholder approval	0.815				
Financial Performance		0.868	0.875	0.91	0.718
profitability	0.878				
ROI	0.885				
revenue growth	0.772				
market value perception	0.85				

Internal consistency is also supported, as Cronbach's alpha and rho_A values for all constructs surpass the 0.70 minimum standard (Hair et al., 2022), indicating that each construct is measured consistently. Composite Reliability (CR) values fall well above 0.70 and below 0.95, satisfying recommended criteria for internal consistency without redundancy (Hair et al., 2019). Convergent validity is established with AVE values exceeding the 0.50 benchmark (Hair et al., 2021), with Stakeholder Engagement at 0.614, Corporate Reputation at 0.713, and Financial Performance at 0.718, demonstrating that each construct explains a substantial proportion of variance in its indicators. Overall, these results confirm that the measurement model meets all

reliability and validity requirements, providing a robust foundation for subsequent structural model analysis.

The discriminant validity results, assessed through HTMT and the Fornell–Larcker Criterion, indicate that the constructs are empirically distinct and adequately measured. All HTMT values fall below the recommended 0.85–0.90 threshold (Henseler et al., 2015; Hair et al., 2021), with values ranging from 0.576 to 0.805, confirming that no construct pairs exhibit problematic overlap.

Table 3. Discriminant validity

		Corporate Reputation	Financial Performance	Stakeholder Engagement
HTMT	Corporate Reputation			
	Financial Performance	0.707		
	Stakeholder Engagement	0.805	0.576	
Fornell-Larcker Criterion	Corporate Reputation	0.845		
	Financial Performance	0.628	0.847	
	Stakeholder Engagement	0.704	0.505	0.784

The Fornell Larcker results further support discriminant validity, as the square root of the Average Variance Extracted for each construct, namely Corporate Reputation at 0.845, Financial Performance at 0.847, and Stakeholder Engagement at 0.784, exceeds the corresponding inter construct correlations, thereby satisfying the criterion established by Fornell and Larcker (1981). Collectively, these findings indicate that each construct shares greater variance with its own indicators than with other constructs, thus fulfilling the discriminant validity requirements in PLS SEM analysis (Hair et al., 2019, 2022).

Structural Model

The structural model results reveal several important relationships among Stakeholder Engagement, Corporate Reputation, and Financial Performance. The structural model results show that Stakeholder Engagement has a strong and significant positive effect on Corporate Reputation ($\beta = 0.704$, $T = 18.024$), with high explanatory power ($R^2 = 0.496$) and a very large effect size ($f^2 = 0.983$). In contrast, its direct effect on Financial Performance is positive but insignificant ($\beta = 0.126$, $T = 1.162$) with a negligible effect size ($f^2 = 0.013$), indicating no direct financial impact. Corporate Reputation significantly enhances Financial Performance ($\beta = 0.539$, $T = 4.832$) with a medium effect size ($f^2 = 0.245$), contributing to an overall R^2 of 0.402 for Financial Performance.

Table 4. Structural Models and Hypotheses Testing

	Hypotheses	β	T-value	VIF	R^2	R^2 Adjusted	Q^2	f^2
1	Stakeholder Engagement -> Corporate Reputation	0.704	18.024	1.000	0.496	0.493	0.344	0.983
2	Stakeholder Engagement -> Financial Performance	0.126	1.162	1.983	0.402	0.397	0.278	0.013
3	Corporate Reputation -> Financial Performance	0.539	4.832	1.983	0.402	0.397	0.278	0.245
4	Stakeholder Engagement -> Corporate Reputation -> Financial Performance	0.379	4.393					

The indirect pathway from Stakeholder Engagement to Financial Performance via Corporate Reputation is significant ($\beta = 0.379$, $T = 4.393$), demonstrating full mediation. Q^2 values above zero (0.344 for Corporate Reputation; 0.278 for Financial Performance) confirm predictive relevance, and all VIF values below 2 indicate no multicollinearity. Overall, the results

show that Stakeholder Engagement creates financial value primarily through its strong reputational effects.

The findings strongly support the proposition that stakeholder engagement (SE) plays a central role in shaping corporate reputation and, indirectly, financial performance in the real estate sector. Consistent with Stakeholder Theory, SE significantly enhances reputation ($\beta = 0.704$), demonstrating that transparency, responsiveness, and open communication build trust and credibility among stakeholders (Aldowaish et al., 2022; Lin et al., 2024). This is reinforced by the large effect size ($f^2 = 0.983$) and substantial explanatory power ($R^2 = 0.496$), indicating that engagement-driven ESG practices meaningfully shape reputational perceptions. The results also align with Legitimacy Theory, as SE strengthens organizational legitimacy by reducing information asymmetry and reinforcing perceptions of integrity (Cohen & Zhu, 2024; Gholami et al., 2022). However, SE shows no significant direct effect on financial performance ($\beta = 0.126$), a finding consistent with literature suggesting that ESG-related financial benefits typically arise indirectly or over longer time horizons (Bouichou et al., 2022), as reflected in the negligible effect size ($f^2 = 0.013$).

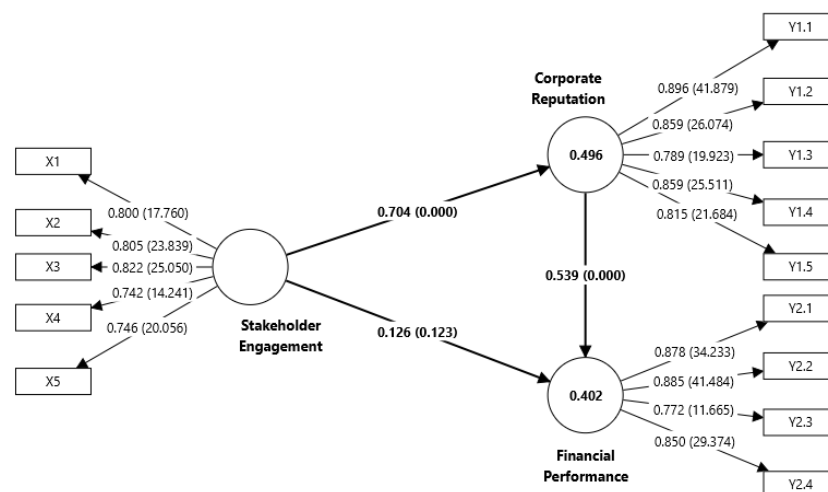


Figure 2. Path Diagram

In contrast, corporate reputation exerts a strong positive influence on financial performance ($\beta = 0.539$), supporting the Resource-Based View, which positions reputation as a rare and inimitable strategic asset that drives competitive advantage (Pham & Tran, 2020; Salvador & Díaz, 2024). The mediation results indicate that stakeholder engagement influences financial performance exclusively through corporate reputation, with a standardized coefficient of 0.379. This finding provides a substantive theoretical contribution by empirically integrating Stakeholder Theory, Legitimacy Theory, and the Resource Based View, and by demonstrating that reputational capital constitutes the mechanism through which stakeholder engagement generates economic value. This supports arguments that ESG initiatives enhance financial outcomes primarily when stakeholders view such initiatives as credible (Islam et al., 2020). Practically, the findings highlight that real estate firms, particularly in emerging markets, must prioritize authentic, meaningful engagement rather than superficial disclosure. This insight aligns with Signaling Theory, emphasizing that credible ESG communication reduces stakeholder uncertainty and strengthens organizational evaluations (Tarighi et al., 2022). Overall, the results provide a coherent and theoretically grounded explanation of how ESG stakeholder engagement translates into financial value through the strategic role of reputation.

CONCLUSION

This study surveyed 150 ESG professionals operating in the real estate industry across Southeast Asia and produced a statistically robust and predictively relevant structural model. The measurement model demonstrates strong reliability and validity. All indicator loadings exceed the recommended threshold of 0.70. Stakeholder Engagement ranges from 0.742 to 0.822, Corporate Reputation ranges from 0.789 to 0.896, and Financial Performance ranges from 0.772 to 0.885. Composite Reliability values confirm internal consistency, with Stakeholder Engagement at 0.888, Corporate Reputation at 0.926, and Financial Performance at 0.910. Average Variance Extracted values further support convergent validity, as Stakeholder Engagement reaches 0.614, Corporate Reputation 0.713, and Financial Performance 0.718. All AVE values exceed 0.50 and all CR values exceed 0.70, satisfying established reliability and convergent validity criteria. The model also meets discriminant validity standards. HTMT ratios range from 0.576 to 0.805, remaining below the conservative threshold of 0.90. In addition, the square roots of AVE, which range from 0.784 to 0.847, exceed the corresponding inter-construct correlations. These results confirm that the constructs are empirically distinct and suitable for structural model assessment.

The structural model reveals several substantive relationships. Stakeholder Engagement exerts a strong and statistically significant positive effect on Corporate Reputation, with a path coefficient of 0.704 and a t-value of 18.024. The model explains 49.6 percent of the variance in Corporate Reputation, as indicated by $R^2 = 0.496$, and demonstrates a very large effect size of $f^2 = 0.983$. These findings indicate that transparency, dialogue mechanisms, and ESG responsiveness directly shape reputational perceptions.

In contrast, Stakeholder Engagement does not exert a statistically significant direct effect on Financial Performance. The path coefficient equals 0.126 with a t-value of 1.162, and the effect size is negligible at $f^2 = 0.013$. These results indicate that stakeholder engagement alone does not directly improve profitability, return on investment, revenue growth, or perceived market value.

Corporate Reputation, however, significantly enhances Financial Performance. The path coefficient equals 0.539 with a t-value of 4.832 and a medium effect size of $f^2 = 0.245$. The model explains 40.2 percent of the variance in Financial Performance, as reflected by $R^2 = 0.402$. These findings confirm that reputation functions as a substantial financial determinant.

The mediation analysis further clarifies the mechanism underlying these relationships. The indirect effect of Stakeholder Engagement on Financial Performance through Corporate Reputation equals 0.379, with a t-value of 4.393. Corporate Reputation fully mediates the relationship between Stakeholder Engagement and Financial Performance. Without reputational enhancement, stakeholder engagement does not generate meaningful financial outcomes. Predictive relevance is supported by Q^2 values of 0.344 for Corporate Reputation and 0.278 for Financial Performance, both of which exceed zero.

Overall, the results demonstrate that Stakeholder Engagement significantly strengthens Corporate Reputation, yet it does not directly improve Financial Performance. Corporate Reputation significantly increases Financial Performance and serves as the exclusive pathway through which ESG-related stakeholder engagement translates into financial value. These findings indicate that the financial benefits of ESG initiatives emerge through reputational capital rather than through engagement activities in isolation.

REFERENCES

- Aggarwal, A., & Saxena, N. (2022). Examining the Relationship Between Corporate Social Responsibility, Corporate Reputation and Brand Equity in Indian Banking Industry. *Journal of Public Affairs*, 23(1). <https://doi.org/10.1002/pa.2838>
- Aldowaish, A., Kokuryo, J., Almazyad, O., & Goi, H. C. (2022). Environmental, Social, and Governance Integration Into the Business Model: Literature Review and Research Agenda. *Sustainability*, 14(5), 2959. <https://doi.org/10.3390/su14052959>
- Bouichou, S. I., Wang, L., & Zulfiqar, S. (2022). How Corporate Social Responsibility Boosts Corporate Financial and Non-Financial Performance: The Moderating Role of Ethical Leadership. *Frontiers in Psychology*, 13. <https://doi.org/10.3389/fpsyg.2022.871334>
- Chang, A., Lee, T., & Lee, H. (2023). Applying Sustainable Development Goals in Financial Forecasting Using Machine Learning Techniques. *Corporate Social Responsibility and Environmental Management*, 31(3), 2277–2289. <https://doi.org/10.1002/csr.2694>
- Cohen, N., & Zhu, X. (2024). Corporate Initial Responses to COVID-19 and ESG Ratings: The Role of ESG Consistency. *Sustainability Accounting Management and Policy Journal*, 16(1), 44–78. <https://doi.org/10.1108/sampj-03-2023-0118>
- Creswell, J. W., & Creswell, J. D. (2018). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches (4th ed.). In *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. Sage Publications.
- Creswell, J. W., & David, Creswell, J. (2018). *Research Design* (5th ed.). Sage.
- Feng, Z., & Wu, Z. (2021). ESG Disclosure, REIT Debt Financing and Firm Value. *The Journal of Real Estate Finance and Economics*, 67(3), 388–422. <https://doi.org/10.1007/s11146-021-09857-x>
- Fong, C., & Chang, H. S. (2021). Chief Marketing Officer and Internationalization—a Resource-Based View. *Asia Pacific Journal of Marketing and Logistics*, 33(7), 1615–1629. <https://doi.org/10.1108/apjml-03-2020-0185>
- Gholami, A., Sands, J., & Shams, S. (2022). Corporates’ Sustainability Disclosures Impact on Cost of Capital and Idiosyncratic Risk. *Meditari Accountancy Research*, 31(4), 861–886. <https://doi.org/10.1108/medar-06-2020-0926>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). *Evaluation of Formative Measurement Models*. https://doi.org/10.1007/978-3-030-80519-7_5
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2–24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Hair, J. F., & Tomas M Hult Christian M Ringle Marko Sarstedt, J. R. G. (2022). *PARTIAL LEAST SQUARES STRUCTURAL EQUATION MODELING [PLS-SEM] THIRD EDITION* (3rd ed.).
- Hasu, E., Saunila, M., & Ukko, J. (2025). Sustainability Strategy and Financial Performance In <sc>SMEs</Sc> —On the Role of Sustainability Management Control Systems. *Corporate Social Responsibility and Environmental Management*, 32(4), 4819–4834. <https://doi.org/10.1002/csr.3218>
- Islam, M. T., Kokubu, K., & Nishitani, K. (2020). Corporate Social Reporting in the Banking Industry of Bangladesh: A Test of Legitimacy Theory. *Social Responsibility Journal*, 17(2), 198–225. <https://doi.org/10.1108/srj-05-2019-0185>
- Karakaya, Ç. (2025). Corporate Reputation in Public Relations Research: A Bibliometric Analysis of Trends and Themes (1970–2024). *Sage Open*, 15(4). <https://doi.org/10.1177/21582440251405321>

- Kind, F. L., Zeppenfeld, J., & Lueg, R. (2023). The Impact of Chief Executive Officer Narcissism on Environmental, Social, and Governance Reporting. *Business Strategy and the Environment*, 32(7), 4448–4466. <https://doi.org/10.1002/bse.3375>
- Lee, J., Kim, O., & Park, C. (2023). Curvilinear Effects of Corporate Philanthropy on Stakeholders and Financial Performance. *Asia Pacific Journal of Marketing and Logistics*, 36(5), 1108–1130. <https://doi.org/10.1108/apjml-08-2022-0664>
- Liang, Y., & Gao, X. (2025). Greenwashing and Financial Performance in Public Health Firms: The Mechanism of Organizational Legitimacy Erosion. *Frontiers in Public Health*, 13. <https://doi.org/10.3389/fpubh.2025.1565703>
- Lin, W. L., Chong, S. C., & Wong, K. K. S. (2024). Sustainable Development Goals and Corporate Financial Performance: Examining the Influence of Stakeholder Engagement. *Sustainable Development*, 33(2), 2714–2739. <https://doi.org/10.1002/sd.3259>
- Liu, Y., Kim, C. Y., Lee, E. H., & Yoo, J. W. (2022). Relationship Between Sustainable Management Activities and Financial Performance: Mediating Effects of Non-Financial Performance and Moderating Effects of Institutional Environment. *Sustainability*, 14(3), 1168. <https://doi.org/10.3390/su14031168>
- Luo, L., & Tang, Q. (2022). The Real Effects of ESG Reporting and GRI Standards on Carbon Mitigation: International Evidence. *Business Strategy and the Environment*, 32(6), 2985–3000. <https://doi.org/10.1002/bse.3281>
- Nicolò, G., & Peña, F. J. A. (2024). Does Corporate Governance Influence Environmental, Social and Governance Disclosure Practices of State-owned Enterprises? An International Study. *Corporate Social Responsibility and Environmental Management*, 31(5), 4715–4731. <https://doi.org/10.1002/csr.2824>
- Pham, H. S. T., & Tran, H. T. (2020). CSR Disclosure and Firm Performance: The Mediating Role of Corporate Reputation and Moderating Role of CEO Integrity. *Journal of Business Research*, 120, 127–136. <https://doi.org/10.1016/j.jbusres.2020.08.002>
- Rashid, Md. H. U., Nurunnabi, M., Rahman, M., & Masud, Md. A. K. (2020). Exploring the Relationship Between Customer Loyalty and Financial Performance of Banks: Customer Open Innovation Perspective. *Journal of Open Innovation Technology Market and Complexity*, 6(4), 108. <https://doi.org/10.3390/joitmc6040108>
- Salvador, J. L. G., & Díaz, G. M. (2024). Enhancing Business Decision Making Through a New Corporate Reputation Measurement Model: Practical Application in a Supplier Selection Process. *Sustainability*, 16(2), 523. <https://doi.org/10.3390/su16020523>
- Sarstedt, M., Ringle, C. M., & Iuklanov, D. (2023). Antecedents and Consequences of Corporate Reputation: A Dataset. *Data in Brief*, 48, 109079. <https://doi.org/10.1016/j.dib.2023.109079>
- Sufa, S. A., Setiawati, D., Afiat, M. N., & Rijal, S. (2024). *The Influence of Tourism Infrastructure and Online Promotion Of Tourist Visit Intention*. 5(2), 1567–1577.
- Stravinskienė, J., Matulevičienė, M., & Hopenienė, R. (2021). Impact of Corporate Reputation Dimensions on Consumer Trust. *Engineering Economics*, 32(2), 177–192. <https://doi.org/10.5755/j01.ee.32.2.27548>
- Tarighi, H., Appolloni, A., Shirzad, A., & Azad, A. (2022). Corporate Social Responsibility Disclosure (CSR D) and Financial Distressed Risk (FDR): Does Institutional Ownership Matter? *Sustainability*, 14(2), 742. <https://doi.org/10.3390/su14020742>
- Tian, J., & Ma, J. (2023). Online Platform Use and Performance Among Listed Tourism Companies in China. *Journal of Travel Research*, 63(7), 1709–1723. <https://doi.org/10.1177/00472875231197203>
- VARDARSUYU, M., Spyropoulou, S., Mengüç, B., & Katsikeas, C. S. (2023). Managers' Process Thinking Skills, Dynamic Capabilities and Performance in Export Ventures.

International Marketing Review, 41(1), 302–332. <https://doi.org/10.1108/imr-10-2022-0224>

Zhang, A. Y., & Zhang, J. H. (2023). Renovation in Environmental, Social and Governance (ESG) Research: The Application Of machine Learning. *Asian Review of Accounting*, 32(4), 554–572. <https://doi.org/10.1108/ara-07-2023-0201>

Zimon, G., Arianpoor, A., & Salehi, M. (2022). Sustainability Reporting and Corporate Reputation: The Moderating Effect of CEO Opportunistic Behavior. *Sustainability*, 14(3), 1257. <https://doi.org/10.3390/su14031257>