
MEASURING AND REPORTING NON-FINANCIAL PERFORMANCE OF SOCIALLY RESPONSIBLE COMPANIES

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Abstract

We have to admit that the resources that the environment gives us are limited and the time to recover them to the stage of use is very long. Strategic managers are constantly confronted with the decision to allocate limited corporate resources to an increasingly pressing environment. Sustainable development is a concept based on three pillars: economic development, social development and environmental protection. To this macroeconomic concept we can associate various microeconomic concepts, among which we mention global performance, sustainability and social responsibility. Based on these considerations, we have proposed that in this study we deal with a series of issues regarding environmental performance and social performance as attributes related to non-financial performance and their role in maintaining a profitable long-term business. Another important aspect is the measurement and reporting of non-financial performance through attempts to standardize the content and the reporting process in order to provide transparent and comparable information. From our point of view, Romanian societies must gradually develop their own culture of social responsibility and understand that the success of a company is also measured by engaging in actions to protect the environment and society, and this voluntary reporting of social responsibility would should be seen as a key element in achieving long-term success but also as a tool for informing and involving stakeholders.

Keywords

corporate social responsibility (CSR), sustainable development, non-financial performance, social performance, environmental performance.

JEL Classification

M14, M48, O13, Q01.

Introduction

Protecting the environment must become a priority issue for companies that carry out activities that they have to suffer in terms of both quality and quantity. The global economy requires organizations to define the role more clearly and to reconsider their economic, social and environmental goals, "to transform business models more quickly, more frequently and more broadly than in the past so as to demonstrate through their clearly expressed and transparent strategies the ability to develop sustainable business (Doz & Kosonen, 2010). Business Sustainability Goals have become more and more important to companies, but also to business stakeholders. Such a business attitude, aimed at enhancing fair relations with stakeholders, can meet the following requirements: "respond to the

accusations of international bodies that associate globalization with a cruel, exploitative and unregulated phenomenon, an indifferent attitude of entrepreneurs to the losses caused by responsibility social society and socio-competitive skepticism" (Cismaş & Stan, 2010).

Organizational strategies must be formulated to meet stakeholder requirements. The formulation and implementation of strategies must be of a proactive rather than reactive nature, as an emblem of the organization's consciousness and management. Each organization should pursue the formulation of those long-term winning strategies, "giving equal importance to human resources, the balance of society in which it operates, to the environment" and being aware of the importance of building sustainable business (Lepineux et al., 2010). For a company to prove that it is socially responsible, it must understand the principles of corporate responsibility promoted internationally and, in addition, must periodically report "socially responsible" actions to demonstrate the integration of these principles into its activities.

The Corporate Social Responsibility strategic approach aims to ensure the corporate-company balance, which can be ensured by optimizing economic, social and environmental goals or economic, legal, ethical and philanthropic objectives. Beyond the social dimension, corporate responsibility can be seen as a business strategy, as long as profit can be considered by companies responsible as a reward for community welfare. (Mihalciuc & Apetri, 2017). Thus, Corporate Social Responsibility (CSR) has received particular attention since the 1950s, and the development of the CSR concept has become a supportive point in both the business and the academic environment.

Literature review

The specialized literature attempts in many ways to highlight the importance of corporate social responsibility in business strategy. Some authors even believe that "Corporate Social Responsibility initiatives must be integrated and internalized by the organization so that they are placed at the heart of the organization", to gain benefits such as: improving corporate reputation, gaining customer confidence, increasing employee motivation or quota market (Dey & Sircar, 2012). Businesses need to be aware that the inclusion of social responsibility goals in the organization's strategy should not be driven only by the desire to build a positive image, to increase operational efficiency or to gain competitive advantage but as a condition for business building (Socoliuc et al., 2018). The most elaborate and the most the widely accepted model of corporate social responsibility is the so-called "Quadripartite Model of Corporate Social Responsibility," originally proposed by Carroll (1979) and then perfected by Carroll and Buchholtz (2000). According to them, corporate social responsibility includes what society expects from an economic, legal, ethical and philanthropic organization at a certain point in time". It follows that CSR is a multi-layered concept in which four interrelated pyramid-shaped aspects are distinguished, so that true social responsibility involves reuniting all four levels in the behavior of the corporation.

The concept of Corporate Social Responsibility (CSR) emerged in the US in the 1980s, while its use in Europe is more recent. In the American context, the paternity of the social responsibility concept is attributed to Howard Bowen in 1953, who published the paper "Social Responsibilities of the Businessman"(Bowen, 1953). It defines the concept by a series of obligations that lead to policies, decisions and lines of conduct that are compatible with the objectives and values of society (Avasilcăi, 2001).

Despite the variety of CSR definitions in management and marketing, the generally accepted definition seems to be Carroll's (1979, 1991) definition that is normative and is often used by management and marketing specialists. The reason for accepting this can be that the concept of CSR is really very broad and problematic, especially in terms of building a concrete list of issues that make up CSR. Also, researchers have only addressed certain

aspects of CSR activities such as corporate giving that are not the full spectrum of social responsibility, and provide only a limited view of CSR expectations (Bradu, 2011). In the literature, there are some empirical studies that highlight some differences in how the corporate social responsibility is perceived and appreciated in different contexts (Gănescu, 2013), as can be seen from Table no.1.

Table no. 1 Significance of social responsibility dimensions in different contexts

Dimensions of social responsibility	American context	European context	African context
Economic Responsibility	Profitability, liabilities for shareholders, corporate policies on good corporate governance, remuneration, consumer protection	Legal framework, coding corporate constitution, observance of the number of weekly working hours, granting minimum wages, developing legislation for the development and testing of pharmaceuticals	Economic contribution, the economic dependence of the government on a single company
Legal Responsibility	Low level of legal business securities	High level of business legislation	Low priority compared with developed countries, low pressure on good behavior, ensuring good relations with government officials
Ethical Responsibility	corporate policies on local communities	high tax rates in relation to the high level of state social assistance provided by public and local services	The smallest influence on the CSR agenda, the gap between the high ethics of multinational companies and widespread corruption, the adoption of codes of ethics and governance
Philanthropic Responsibility	corporate initiatives of funding art, culture, or fundraising	the high level of taxes obliges governments to be the main providers of culture, education	The high level of taxes obliges governments to be the main providers of culture, education.

Source: adapted after Visser, W., 2006, *Revisiting Carroll's CSR Pyramid: An African Perspective, in Corporate Citizenship in Developing Countries: new partnership perspectives*, eds. E.R. Pedersen & M. Huniche, Copenhagen: Copenhagen Business School Press.

Applying the concept of sustainable development at the company level takes into consideration the corporate responsibility - resulting from the need for companies to adapt to survive in a company a context in which globalization and civic activism are increasingly changing radically. This type of approach has been taken up at the level of large companies around the globe who are committed to sustainable or sustainable development and adopt reporting principles that are based on the concept of the triple balance sheet / objective (Belaşcu, 2003).

The evolution of the concept of social responsibility leads to the emergence of a new notion: corporate social responsiveness. The notion is defined by the ability of a firm to respond to social pressures. It means applying a relationship management that correlates the firm with the various stakeholders, expressing the leaders' attention to the demands of society, thus responding to the flow of social responsibility (Ștahovschi & Mircea-Dafinescu, 2013).

Assessing non-financial performance as part of global performance

Before the performance calculation was achieved strictly from a financial point of view and it is usually calculated over a short period of time, but in the current period there have been changes in the economic thinking and therefore also in relation to the performance evaluation. Thus, at the moment, the management of the company directs all its forces to attract investors, which is why it seeks to put the economic entity in good light in terms of long-term performance. When it comes to performance, not only financial performance is taken into account, but global, where non-financial information about the social side and environmental protection plays an important role.

For the economic entity, global performance implies access to the resources needed to exploit, redistribute them to obtain cash flows to eliminate potential risks, and to track the achievement of objectives. Global performance is neither productivity nor profitability, it has a much broader horizon, it refers to all the economic and non-financial aspects of the activity of an economic entity. Non-financial information is of major importance for the decision-making process and, at the same time, is a complement to the financial statements, being particularly useful in reducing the degree of uncertainty specific to the investment process (Carp, 2015). Some studies confirm that economic entities publish social and environmental information only to be within the limits of legality in the field in which they operate. It has also been found that less performing entities publish performance-related information (Aldaz, et al., 2015). Non-financial performance is increasingly important because the modern consumer simply does not want to pay less on a banal product but claims a product tailored to his needs, and other aspects such as quality, innovation, environmental impact. (Albu & Albu, 2005). At the same time, the capitalist consumer begins to focus his attention "not only on the quality of the products purchased, but also on the behavior of the producing company." (Crăciun, 2003)

Social performance reflects the level of achievement of tasks by an employee, their contribution to the objectives set by decision-makers. It has become a criterion appreciated by investors, because the application of irresponsible policies in this field, are irreproachable to the emergence of economic and financial risk (Diaconu, 2010). In addition, social performance is useful for assessing management activity and results, so it needs to be introduced in all types of organizations, starting with public or private entities and ending with nonprofits. (Iamandi & Filip, 2008) The individual social performance and the achievement of the organization's objectives are achieved with the help of human resources, and the motivating factors are the motivation, the possibility to participate in decision-making, the attitudes, the behavior and their involvement and satisfaction with the human resource (Tănase & Ștefănescu, 2015). In a study conducted by Huselid (1995), it mentions the policies adopted by the human resource entity that influence its behavior and as a domino effect exerts influence on the performance of the whole entity. The same author mentions that investing in this direction can considerably reduce staff replacement rates and increase productivity gains. Marin (2009) which emphasizes the skills and effort of the employees, is indispensable for achieving the objectives of the entity, so this author explains the link between the committed human resource and the performance of the entity.

When discussing the assessment of social performance, it is envisaged to quantify the results obtained by the employees, to establish the objectives for the next period, to draw up a plan to modify the results that will be achieved in the desired sense. Determining social

performance is the basis for decisions that are directly related to human resource training, recruitment and selection, and rewarding. Companies that differ from others by a higher degree of social performance can hope to achieve sustainable financial performance.

This stimulates organizations to improve their social performance management, pays particular attention to transparency and adequate monitoring of social risks, allows comparability with other organizations, enables full stakeholder information and attracts investment (Ștahovschi & Mircea-Dafinescu, 2013)

Environmental performance is the second component of non-financial reporting, but of particular importance, as well as social reporting. At present, there is an increasing emphasis on this aspect of a company's business, but for a considerable time the environment has been seen as a generator of stranded costs. Thus, management has always attempted to diminish these costs, leaving only those mandatory under the legal regulations in this area.

We are witnessing an increasing concern for mankind over the increasingly complex environmental issues. The environment is an essential integral part of any development process and encompasses the links and interdependencies between people and natural resources. As a result, the changes in the environment are not only due to natural events, but also to the practical manifestation of development models, practices and lifestyles. Reciprocally, any change in the physical environment has important socio-economic consequences that influence the quality of life. (Neagu & Neagu, 2015).

The environmental and general performance of a company is interdependent, but in order to benefit from environmental protection, a number of steps have to be pursued: the assessment of the company's state of affairs regarding the existence and quantification of the effectiveness of management tools environmental; setting a set of indicators specific to the company's business; the regular determination of environmental performance and the communication of the results obtained.

Romanian companies applying social responsibility

Lately, there has been a mobilization of companies, non-governmental organizations, institutions and citizens to become actively and responsibly involved in the sustainable development of the community. Companies are looking for the projects they participate to grow indirectly and their performance, as shown in the examples in the table no. 2:

Table no. 2 Probable benefits pursued by companies applying social responsibility

Company	The social domain in which they are involved	Aimed pursuit (personal opinion of the authors)
Kaufland	Culture, sports and healthy life	Increased incomes (The company was launched from a small company, keeping the fruit and vegetables district at the entrance to its own stores, always pursuing the intensive sale of products from this district. People focusing on health and sports generally seeks to prepare their own food using unprocessed products).
BCR	Financial education	Reduced operating costs (correct management of the budget will attract fewer non-performing loans in the future).
GSK	Health	Increased incomes (health care buyers buy more prevention products, some of which will be willing to buy more oral care products).
Samsung	TomorrowME and Trends of Tomorrow	Reduced costs for recruiting and training future employees (determining a particular vocational profile, recommending job matching, and

		providing suggestions about the steps or studies that they must follow to reach their career goal).
Orange Romania	Education in IT programming	Reducing recruitment costs (finding talented young people in programming), reducing operating costs (finding new ways to do) and increasing revenue (discovery of new products, services and needs).
Groupama Insurance	Proximity, responsibility, solidarity	Reduced costs for damages compensations (responsible and jointly responsible persons contribute to the prevention of incidents that trigger the execution of insurance policies).
Federal-Mogul Motors	Partnerships with universities and high schools in Ploiesti and Bucharest	Reducing staff training costs (internships).
Olympus Romania	Special packaging, engraved in the Braille alphabet	Income growth (increased sales among the blind).
Maguay Romania	Environmental certification in IT	Reducing expenses with energy consumption.
Arcelor Mittal Galati	Health, education, development and improvement of employees	Reduction in staff training expenditure (awarding Olympic students, contributing to professional development). Decrease in labor-related costs. (0 deadly accidents in recent years in a heavy industry). Decrease in recruitment costs (few resignations).
Continental Automotive	Dislocation safety and environmental protection	Decrease in environmental expenditure (use of recycling). Increased revenue (sales due to increased wear and braking safety).
Farmec Romania	Constant investment in product quality	Increased income (generated by sales of products made from fruits, native herbs, clay, the ingredients used are not genetically modified).

Source: adapted after <http://www.csrmedia.ro/brand/> and <https://csrleaders.ro/>, [accessed on 20.03.2019]

As can be seen, companies are looking to achieve performance using social responsibility, the result of their actions will not be found strictly in their own results. There is a possibility that part of the benefits may be found in the future results of other companies, including competitors.

Conclusions

The interest in studying sustainable development has arisen because in the context of the actual pattern of economic development, which generates a major environmental impact, a large percentage of the population in this planet is affected. The integration of the Corporate Social Responsibility principle into the business development strategy becomes an important feature of modern companies. Organizations that possess the main financial and human resources have a significant impact on solving the social problems of society and on sustainable development. Corporate Social Responsibility strategies represent opportunities for business development, with a strong emphasis on supporting sustainable development

and ensuring the performance of global companies. Through Corporate Social Responsibility, every company contributes to the development of modern society on the basis of sustainability. Corporate Social Responsibility is a commitment by which every company takes on the responsibility for standardized care of the environment, employees and community.

Environmental performance and social performance is what demonstrates to corporations and their shareholders that profits and share prices will increase if they adopt healthy production methods from the point of view of the environment.

Practically, it starts from some difficult to quantify elements, and together with appropriate social responsibility on a case-by-case basis, we have to find the optimal variant that ensures the sustainability of global performance.

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