Impact of Non-Financial Reporting on Stakeholder Decisions

Alina Puțan
“1st of December 1918” University of Alba Iulia, Romania
putan.alina@uab.ro

Abstract

The main purpose of the paper is to capture the growing role of non-financial reporting on stakeholder decisions. There is a growing need to identify when the information provided by financial reporting is sufficient in adopting a long-term decision to invest/develop a business/withdraw into a business. By utilizing the bibliometric study, we conducted a review of the literature on the significance given by stakeholders to non-financial information. Non-financial reporting provides additional information on how to use the financial resources of the company towards the sustainable development of the community in which it operates. Social responsibility programs serve companies by increasing their image and brand, resulting in the ultimate satisfaction of stakeholders and investors.

Key words: nonfinancial reporting, CSR, bibliometric analysis
J.E.L. classification: M14

1. Introduction

In the business environment, decision making was based on information, both financial and non-financial. The transparency of the activity of companies through periodic reports allows the interested parties to analyze at the recorded performance level.

In an economic approach, performance is seen, in the literature, as a way of comparing the results obtained with the consumption of the factors of production that contributed to their achievement, or, by comparing the forecasts with the outputs (Angelescu C., 2001); or achieving the objectives of the entity, regardless of their nature and variety (Bourguignon A., 2000); it is based on effectiveness, efficiency, efficiency, efficiency, economy & Productivity (Faridah D., Faiz G., 2012).

In an accounting approach, performance is regarded as a relative concept that involves comparing the results obtained with those that would have been possible (Murray CJL, Gakidou EE, Frenk J., More, etc., 2000); implementation of strategies entrusted to entities by political authorities; contribution of value to the public, users to whom the entity is addressed; control of the resources entrusted to them in order to carry out their mission (Demeester R., Lorino P., Mottis N., 2002); social and societal performance (Bertin, E., 2007); growth, growth, profitability, profitability, productivity, yield, competitiveness (Colasse B., 2008).

Currently, the performance concept is correlated with objectives that are part of the management strategy; from obtaining positive financial results, achieving a market share until increasing customer satisfaction and involvement in community development. Thus, the campaigns carried out by companies to positively support the sustainable development of the community, the reduction of waste of resources, are a new indicator of commensurating the performance of a company. These CSR campaigns are a new indicator of measuring the performance of a business.

2. Theoretical background

At European Union level, Directive 2014/95/EU of the European Parliament and of the Council on the presentation of non-financial information and information was issued (Official Journal of the European Union, 2017). This legal regulation provides that the disclosure requirements for non-
financial information are applicable to certain large entities with more than 500 employees, because for small and medium-sized entities, the obligation to apply those requirements would mean costs that would outweigh the benefits. This approach keeps administrative expenditure to a minimum. Entities are required to publish relevant and useful information necessary to understand the progress, results, financial position and impact of their work, rather than a full and detailed report.

The created legal framework proposes that entities publish non-financial information (environmental, social and governmental aspects) that is of high quality, relevant, useful, consistent and comparable, consistent, so as to foster growth and employment in a resilient and sustainable manner and ensure transparency for stakeholders.

In non-financial reporting, the principle of the materiality threshold applies; it is recommended to publish accurate, clear, concise information that has a significant character, but which makes the objective distinction between opinions and interpretations.

The main idea of these non-financial reports is to provide information on the company strategy, business model and medium- and long-term implications regarding the actions taken.

3. Research methodology

The main purpose of this research is to present the current situation regarding the non-financial reporting and the implications it has on the decisions of the stakeholders; be it investors, workers, consumers, suppliers, etc. The current report on the activity of entities is public and provides information on the work done. The principle of materiality is applied; only those points of significant importance are published, which are sufficient to understand the progress made. The demands of stakeholders for veracity and accountability regarding their expectations are met. The creation of a legal framework is vital for ensuring the transparency and quality of non-financial reporting.

Bibliometrics is widely used. Identifying core records, reviewing publications, examining document use and understanding scientific management of library and information departments are examples of micro-level applications. Designing more cost-effective intelligence systems and networks, improving the efficiency of intelligence processing, searching for flaws and defects in document services, predicting the direction of the publication and developing and improving basic intelligence theories are all examples of macro-level applications. The purpose of using this method was to identify in the literature cores of approaching entities towards sustainability and sustainable development. We have prepared a statistical analysis of the written publications that have been united in clusters, each with its own core.

We questioned the existing database on the Web of Science in November 2023. The keywords used were “nonfinancial reporting”; to these we added Topic, identifying the written works in the period 2019-2023, phrases such as integrated report and sustainable report. The restocking of the time period had as main argument the novelty character of these reports. In 2022, the first legal regulation at European Union level appeared in this sector. Mentioning the two phrases as filters in the database query took place due to the increased importance that is given to the presentation of non-financial information with the financial information as a whole converging to the realization proposed strategy.

The analysis of the database configured around the search engines with the Web of Science Platform allowed the grouping of the extracted information around some key terms, forming clusters (Ellegaard, Wallin, 2015).

4. Findings

Taking into account the above mentioned parameters, we identified 10665 specialized articles, book chapters, proceedings for international conferences. The method allows the query of the database structured in citation and co-citation analysis, bibliographic couplings and the analysis of the keywords of interest. We have identified 5 clusters that bring together items resulting from database queries.
As you can see, the research related to non-financial reporting, namely sustainability reporting, is concentrated in cores that outline the directions of interest for each stakeholder; from the interest in increasing the actions taken in the development of the concept of social sustainability to the identification of clearly defined areas of action – health, climate change, etc., protecting the environment and providing solutions through campaigns run by directly involved companies.

Cluster number 1 (Fig.no.2) brings together works in the sphere of financial implications that non-financial reporting has on the image of a company. Terms such as standard accounting, accrual, financial reporting and quality, profitability are keywords in the analyzed period. In non-financial reporting, the recommendations of specialists in the field are to identify and commensurate the risks of these types of activities for each company. The stakeholders request as detailed information as possible to identify management risks.

The analysis period includes the period of the pandemic due to massive infections with SarCov virus19. As such, the studies carried out by specialists in the field of non-profit activities analysis carried out by existing companies on the active market are directed towards maintaining the health of the population.
In this context, companies are targeting their actions to combat and reduce infections that have direct consequences on the population, the community and, implicitly, on their own activity.

The pandemic has drawn new directives for the business environment. Emphasis was placed on developing strategies to enable the economic recovery of all companies in an economy.

The no.2 cluster brings together papers that present aspects related to the presentation of models of analysis of companies’ strategy, factors that facilitate such models and case studies that come to validate/invalidate the assumptions established by specialists.

Cluster number 3 details all the studies conducted during the pandemic period, with the primary focus being on research in the field of population health. The effects of the pandemic on the activity of companies were the nature of reducing the salaries for employees with the reduction of working time, redundancies, layoffs, the closure of schools led to the negative reorganization of the activity of female employees, etc.

Source: Ovidius University Annals, Economic Sciences Series
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Within cluster number 4, specialists address the conflict, especially the financial conflict. Among stakeholders, there are a number of uncertainties, problems and search for solutions. The development of projects for the ongoing development of the business environment has always been controversial. The size of the resources used, the quality and the effects of their use have given rise to divergent perceptions regarding the investment of the positive financial results obtained.

*Figure no. 5 Cluster 4 – Nonfinancial reporting*

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Source: own processing

The last cluster includes concepts related to the economic impact of sustainable actions. Risk management and the policies adopted in this segment of activity have been the subject of prospective studies. It seeks to define concrete objectives, clearly defined and which include in the annual reportages besides relevance and coherence of information. The complex assessment identifies, prevents and minimises the existing and potential negative impact.

*Figure no. 6 Cluster 5 – Nonfinancial reporting*

Source: Own processing

For the standardisation of financial and operational performance indices, their possible comparison, macro and micro modelling, it is proposed to identify the Performance Index, which is defined by the system of complex indices: index (indicator) to affect the economic indicators of the business entity, index (indicator) of ecological efficiency, index (indicator) of social efficiency. It was based on the need to calculate the evaluation of the quality coefficient in order to avoid
declarative achievement of the ecological and social efficiency indices, the quality of their performances (Levytska&co., 2018).

5. Conclusions

The non-financial reporting is approached in correlation with the actions carried out by companies to support sustainability; in the specialized literature are mentioned concepts such as CSR, social performance, environmental protection, resource regeneration. All these are brought together in the activity reports of companies intended for the general public.

The performance of companies from the standpoint of stakeholders, in the long run, is filtered through the prism of non-financial indicators in order to create long-term added value. Whether we are talking about the use/recycling of available resources, about reducing the carbon footprint or about preventing climate change, stakeholders are waiting to receive information comparable to other companies, but also information that can serve future decisions.

*Figure no. 7 Sustainable by design*

In their research, Ernest and Young proposes a model for achieving complex sustainability that brings together, besides the established objectives, the tools for achieving and the communication with the stakeholders. It is one of the models that focus on communication between company management and stakeholders. Thus, the company can ensure the commitment of its stakeholders to the future.

The non-financial performance of companies consists in achieving the sustainability objectives aimed at satisfying all citizens at a level that allows them to achieve prosperity and economic, social, technological progress does not counteract the environment.
6. References


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