Corporate Sustainability Reporting and Financial Performance

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Abstract: In the past few decades, business performance has been approached from a multidimensional perspective, because a pro-active corporate sustainability reporting system for assessing the financial performance of an organization should at least address impacts at the organization and community levels, as well as the resulting associated social impacts. The purpose of this research was to identify the accessibility of corporate sustainability reporting instruments for Romanian managers and their role in increasing the financial performance of organizations. This study concludes that corporate social reporting indicators can be integrated into the reporting of the financial performance of a company and can transform sustainability into tangible value for all interested parties. In addition, the empirical results contribute to the understanding of corporate social responsibility practices; although being non-financial, these seem to be financially meaningful at a certain level after other financial factors are controlled for.

Keywords: corporate sustainability; financial performance; sustainability reporting; corporate environmental performance; corporate social responsibility

1. Introduction

The success or failure of companies in the conditions of the sustainable economy is influenced by the particularities in which their corporate social responsibility is manifested. It reflects the direction in which the available resources are mobilized under the conditions of national and regional environmental regulations [1–3].

It can be said that the information in sustainability reports differs depending on the type of stakeholder, and affects certain activities or their performance [4]. Both practitioners and theorists agree that companies engage in CSR activities, and they decide what activities they will engage in in the future for sustainability reporting, in order to increase their reputation and financial performance [5–7].

Much of the leadership of companies and stakeholders perceives sustainability reporting as part of the company’s annual report that helps it to measure environmental performance and develop its own corporate sustainability measures [8,9]. In other words, sustainability reporting should not only be seen as an instrument of public relations, but as an instrument capable of helping companies to become aware of their strengths and weaknesses and identify certain interdependencies within them [10].

At the same time, efforts to reduce information asymmetry and to improve stakeholder engagement and relationships have led to discussing the credibility and accountability of financial information [11].
Thereby, extant research has heavily concentrated on the quality and credibility of companies’ financial reporting systems for two main reasons. First, the quality of traditional accounting information has been defined in terms of financial reporting systems and frequently measured through financial indicators. Second, non-financial information has gained prominence, and stakeholders and future investors have been included as new counterparties along with shareholders and present investors for corporate communications and relations [8,12].

Increasing the impact of sustainability by gathering a wealth of information and measuring social and environmental impacts helps organizations improve their operational efficiency and natural resource management, which remains important to shareholders, employees, and other stakeholders [13–15]. Among the drivers that determine whether companies report or not are shareholder and stakeholder pressure, compliance with legislation, competitive advantages, and public image [16]. Social reporting generates benefits in terms of the direct effects on the assessment and communication of the conditions, wherein different entities act but also contribute to build internal and external credibility [17,18]. In a climate dominated by the distrust of others, it is difficult for organizations to prove their financial, social, and environmental performance and, for this reason, an appropriate endeavor is to focus on social and environmental reporting practices [19].

Financial performance reporting addresses a relatively narrow scope, in terms of the limited nature of financial information, and is mandatory, while sustainability reporting appeals to an increased number of outside users because of the diversified nature of economic, environmental, and social aspects and is still voluntary. As such, according to the Global Reporting Initiative’s (GRI’s) “Report or Explain: A smart EU policy approach to non-financial information disclosure” and EY’s “Value of sustainability reporting”, environmental, social, and governmental data are delivered through terminals as thousands of transactions, i.e., 95% of all issues reported in the sustainability reports [20,21].

In the current economic situation in Romania, corporate social responsibility (CSR) is considered a real instrument, even in the banking sector. Banking institutions that have implemented CSR have certain advantages such as better economic efficiency, an improved reputation, more loyal employees, improved communication with society, a better ability to attract new opportunities, and increased organizational commitment [22].

The established literature in another research direction examines the major challenge currently faced by Romanian managers, which is the need to ensure, initially, a minimum of performance at the management level of the organization, and in this respect, the impact of an integrated strategic approach must be acknowledged [15,17,22]. In a study conducted on Romanian listed companies in 2015 and 2016, positive effects of social and environmental protections on the long-term financial performance of listed companies were found [23], as was a positive influence of the sustainability communication index on the share price when disclosing information through financial reporting [24].

In these conditions, sustainability reporting would be both a cheaper solution to attract capital sources and a tool to achieve corporate sustainability goals. Through sustainability reporting, a company may be able to persuade potential investors that it is a lower risk investment than other companies [22,25–27]. An increasing number of investors suggests that they prefer to invest in transparent entities because there is greater trust between the managers and stakeholders, more accurate forecasting, and low information asymmetry [28]. The voluntary disclosure of sustainability data—including environmental impacts—has allowed investors to obtain more information than government-backed transparency campaigns in some industrial branches, which is positively correlated with operation cash flows and returns on assets [28–30].

Overall, the demands of corporate sustainability reporting have thus become a driver of change, but CSR has also become a fundamental criterion for realizing competitive advantages and strategic management, with the mission of devising and adopting sustainable strategies so as to minimize obvious and potential vulnerabilities [22,31–34].

Thus, non-financial practices seem to be financially meaningful at a certain level after other financial factors are controlled for. This study modeled the links between corporate sustainability
reporting (such as social, environmental, and financial concerns) and financial performance, providing a richer context, including the perspectives of stakeholders in a decision-making framework model. This research also used the terms corporate social responsibility and corporate sustainability synonymously, as useful instruments centered around two main directions: (1) increasing the competitiveness of companies based on foreign capital in the market and (2) improving the responsibility of local communities, multinational companies, large companies, and small and medium-sized enterprises (SMEs), regardless of their capital, whether public or private.

From an interdisciplinary perspective, this study suggested that due to (1) limited capabilities for information gathering and processing, (2) subjective probabilities attributed to the uncertain outcomes, and (3) overconfidence bias in the decision-making process, these reporters could (1) not include and evaluate all the information in the decision environment, (2) not properly assess the likelihood of future events, and (3) tend to think optimistically, ignore decision-specific information, and engage in risky activities. Our findings revealed that firm-level environmental sustainability is positively associated with financial performance.

The rest of the article is structured in accordance with the purpose and objectives proposed, with a brief summary of the literature in Section 2, a description of the research methodology and data source in Section 3, and the empirical results in Section 4. Finally, the conclusions are presented in Section 5.

2. Literature Review and Hypothesis Development

Prior literature has mainly explained the concepts and definitions of corporate sustainability reporting, corporate social responsibility, and financial performance, but there is no consensus [35–38]. The CSR reporting instruments frequently allowed the organizations to provide, to whom it may concern, information about the activities carried out and facilitated active involvement in designing solutions to improve corporate social responsibility, transparency, and social image [16–19].

Another branch of literature has noted the positive harmonization of environmental reports with those recommended by Directive 2014/95/EU and future possibilities for developing integrated reports [37–39]. According to a survey of seven Australian public sector organizations, sustainability reporting is based on the annual average, and sustainability information is widely available to internal stakeholders through sustainability reports [28,39]. In a study of 14 producers from the automotive industry in Europe and another survey of 220 public organizations in Poland and Europe, the analysis of sustainability reports indicated that some companies have become leaders and are aware of the importance of sustainability in their industry while others are lagging behind in its implementation [40–42].

Moreover, the only certainty is that economic performance is directly influenced by the evolution of the entity in a digital economy, and increasing competitiveness can only be achieved by integrating corporate sustainability (developing CSR policies, sustainability reporting practices continuing, the involvement of all key actors and stakeholders) [43–47]. An analysis of company reporting practices has shown that the mechanisms of coercive and mimetic isomorphism appear to be distinct rather than concurrent [43,48–51].

In order to increase value for the companies, interest in the disclosure of non-financial information has grown on the basis of business models and organization strategies. Many research studies have recommended that companies take actions leading to convergence around a set of CSR reporting instruments that support actions enabling entities to increase effectiveness and create value [32–34].

The relationship between corporate sustainability reporting and financial performance is not straightforward. On the one hand, the costly corporate social responsibility initiatives of a firm can be seen as a deviation from the goal of maximizing shareholder wealth [29]. On the other hand, corporate sustainability can play a role in mitigating risk, preventing the externalities of the irresponsible acts of a firm to society from coming back to it in terms of explicit costs [50]. Additionally, corporate social responsibility can signal firm operation to outsiders [2,5,51]. This suggests that corporate social responsibility initiatives can be positively, neutrally, or even negatively associated with financial
performance, but the most frequently used indicator in the entity’s performance assessment is the variable return on assets (ROA) [28–30]. More precisely, for users of financial reports, corporate sustainability reporting is an essential tool for the long-term success of the business, directly linked to economic, social, and environmental performance, as well as the proper use of the reporting instruments, and CSR behavior improves shareholder value [8,12]. Therefore, we state the following hypothesis:

**Hypothesis 1 (H1).** CSR behavior is associated with financial performance.

A few studies are gravitating towards the impact of the degree of disclosure of the environmental information on profitability, including the effects of the level of environmental and social disclosure [51–53].

On the empirical side, in a study conducted on multinational companies and private and public organizations in Italy in 2015, the authors concluded that the disclosure of the sustainability risk by some of the large organizations was positively influenced by sustainability experience and international presence, but was not affected by the presence of external insurance [54]. By disclosing environmental information, experts are continually looking for new ways to protect the reputation of and benefits to stakeholders, improve eco-performance [55,56], or explore various existing relationships between sustainability reporting and the disclosure of ethical–social–environmental risks [54,57–62].

In a survey of 102 companies indexed on the Warsaw Stock Exchange, the results indicated a substantial difference in the data collection for the stakeholders, which affected the degree of disclosure of information in sustainability reporting situations; however, the degree of integration of diversity did not affect the reporting of diversity except by disclosing non-financial reports [46].

Studies and research conducted in recent years reveal that a company’s reputation has a strong effect on CSR consumer interpretations, and this is due to the fact that the company is more accepted and credible if engaged in CSR [22]. However, it is necessary to disclose the effects of CSR on reputation, but the social performance of the company is influenced by various factors, including size, diversification, research and development, and market conditions of the company. Some authors have also argued that participation in social issues has had a negative effect on financial performance [56].

Therefore, the second and third hypotheses were as follows:

**Hypothesis 2 (H2).** Corporate reputation has a positive influence on financial performance.

**Hypothesis 3 (H3).** Social impact assessments have important benefits for financial performance.

GRI (2018) [63] also refers to evaluating the performance of the highest governing body but also to its role in reporting sustainability; economic and environmental identification and management; social impact; efficiency of risk management processes; review of economic, social, and environmental topics; communication of critical concerns; nature and total number of critical concerns; remuneration policies; involvement of stakeholders in the remuneration process; annual compensation report; and percentage increase in total compensation in the year report.

Other specialists [64,65] provide a complex analysis of the studies on environmental performance, and their results show the following: GRI-based sustainability analysis contributes to increasing performance; improving environmental sustainability means reducing pollution and the adoption of instruments according to the overall global framework of environmental performance. Interestingly, some authors find that the source of the positive association between CSR investments and financial performance is more likely to be the signaling value of CSR disclosures [11,19,64]. Consequently, the following hypothesis was proposed:

**Hypothesis 4 (H4).** Environmental performance is significantly dependent on CSR behavior.

According to previous literature, financial statements may be affected by certain non-financial aspects that require their consideration, such as the possible depreciation of assets and consequent
reduction in their book value due to adopting environmental laws and regulations; implicit obligations that are generated by a voluntary initiative to remedy certain environmental problems; and presentation of eventual liabilities in financial statements if the expenses for the removal of some aspects of the pollution cannot reasonably be estimated [66,67].

Other studies have been conducted, not only on aspects of the implementation of corporate social responsibility, but also in different business environments as well as on the perceptions of managers on financial performance issues [5,11,23,36,68]. Likewise, the correlation between corporate social responsibility and profit, and how companies behave while they are experiencing losses but still carry out corporate social responsibility activities have been analyzed. The decision to implement the CSR reporting instruments is influenced by the size of the company, corporate governance factors, and the intrinsic motivation of the management.

The findings of several papers [20,28,39,50] also indicate that the board size, the representation of outside directors, financial leverage, and the firm size have positive associations with governance disclosure. They also report a positive relationship between the age and size of the companies with the level of social disclosure and financial performance. Chen et al. [11] found that some managers had a tendency to apply for repetitive disclosures in order to suppress disclosures, providing evidence for the manipulative power of management regarding these reports. Thus, there are studies directly concentrating on the relationship between the auditing partners’ overconfidence and auditing quality; all the arguments about managerial overconfidence are still valid for audit processes [69–72]. The following hypothesis was formulated:

**Hypothesis 5 (H5).** Financial transparency is associated with a positive impact on corporate sustainability reporting.

The usefulness of information (earnings per share and earnings per share change) included in reporting sustainability in financial statements is relevant for Sustainable Reporting Award (SRA) winners, according to a survey of 110 SRA-winning companies between 2008 and 2016 [41]. In a study conducted on 64 educational institutions around the world, the authors found 23 demonstrated positive aspects based on the internal motivations expressed through the awareness of sustainability and improvement of the communication with their stakeholders, as well as the negative aspects related to the lack of inclusion of the material effects in the reports and the lack of external involvement of the stakeholders, including the lack of institutionalization of sustainability reporting in the education system [42]. Nevertheless, CSR communication is vital for companies and is an important means of generating a positive image and motivating purchase intention. However, there are contrasting views in the literature on the fine line between reputation, CSR communication, and receiving criticism for ethical behavior regarding CSR communication [73–75]. Through proactive communication, corporate responsibility commitments have a positive impact on productivity, including the number of hours worked voluntarily or uncompensated [75–77]. Accordingly, the following hypothesis is suggested:

**Hypothesis 6 (H6).** CSR communication instruments have a positive influence on financial performance.

### 3. Data and Methods

The companies are keen to make a profit and yield the maximum benefits that they deserve to achieve by implementing corporate social responsibility in their regular practices [78–80]. Non-financial items consist of seven categories measuring a firm’s performance regarding responsibility in the following dimensions: social, corporate governance, diversity, employees, environment, individual rights, and products [27]. To find the measurement criteria that help in achieving the goal of implementing corporate sustainability reporting in Romanian companies, a standard questionnaire consisting of 20 questions for economic criteria, 18 for social criteria, and 25 for environmental criteria was designed for performance measurement based on requirements from the modification of GRI
3.1 indicators. The questions were formulated based on known scales in quantitative and qualitative research, mainly using the previously defined variables.

On the basis of the data [81], the fundamental principle taken into account when using the sampling method was that the layers chosen were related to the dependent variable that is the object of the research. Corresponding to a probability of guaranteeing 95% research results and an error margin of ±5%, for a value \( p = 0.50 \), the sample size was 320 observation units, so the survey included 320 managers.

Then, 320 questionnaires were sent to different managers as follows: 50—managers from the South-East Region, 65—managers from the Central Region, 42—managers from the South Region, 40—managers from the North-East Region, 48—managers from the North-West Region, 37—managers from the West Region, and 38—managers from the South-West Region. The respondents were advised to respond to each item of the questionnaire on a five-point Likert-type scale (1 = totally disagree, 2 = partially disagree, 3 = no opinion, 4 = partially agree, and 5 = totally agree).

We conducted this research from July 2019 to December 2019 and then entered the data into AMOS software for path analysis via a regression analysis for hypothesis testing. The instruments were tested by validity, reliability, and normality tests. After administering the questionnaire and collecting the data, we ran the measurement model in AMOS 18 to measure the composite reliability (CR) and average variance extracted (AVE) of each construct. The AVE values indicated that the model had convergent validity for all the constructs, as did the values of composite reliability. Table 1 provides the sample’s descriptive characteristics.

<table>
<thead>
<tr>
<th>Age Interval in Years</th>
<th>Managers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>73</td>
<td>22.81</td>
</tr>
<tr>
<td>25–30</td>
<td>77</td>
<td>24.06</td>
</tr>
<tr>
<td>30–40</td>
<td>88</td>
<td>27.50</td>
</tr>
<tr>
<td>40–50</td>
<td>65</td>
<td>20.31</td>
</tr>
<tr>
<td>50–60</td>
<td>17</td>
<td>5.32</td>
</tr>
<tr>
<td>Total</td>
<td>320</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Managers</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South-East Region</td>
<td>50</td>
<td>15.62</td>
</tr>
<tr>
<td>Central Region</td>
<td>65</td>
<td>20.31</td>
</tr>
<tr>
<td>South Region</td>
<td>42</td>
<td>13.12</td>
</tr>
<tr>
<td>North-East Region</td>
<td>40</td>
<td>12.50</td>
</tr>
<tr>
<td>North-West Region</td>
<td>48</td>
<td>15.00</td>
</tr>
<tr>
<td>West Region</td>
<td>37</td>
<td>11.57</td>
</tr>
<tr>
<td>South-West Region</td>
<td>38</td>
<td>11.88</td>
</tr>
<tr>
<td>Total</td>
<td>320</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The overinvestment and value-creation hypotheses were tested with the following model:

\[
Y = \beta_0 + \beta A_{it} + \alpha_{it}
\]

where \( Y \) is the dependent variable, \( \beta_0 \) is a constant, \( \beta \) is the variable coefficient, \( A_{it} \) is variable, and \( \alpha_{it} \) is the margin of error.

Scaling allowed us to assess the average score of each alternative response, and there were 58 items. Each of the statements contained in the questionnaire contributed to the calculation of the score of the variable. Returning to the universal multiple regression model, we defined it using the analyzed specific variables that included dependent and independent variables. In order to add some value and certitude, we also used control variables. Table 2 presents a description of the scale items and variables.
Table 2. Definition of variables and items of the constructs.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate sustainability index (Y)</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td><strong>Independent variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate reputation (β₁)</td>
<td>The internal evaluation of Reputation Quotient instrument [22,56]</td>
<td>7</td>
</tr>
<tr>
<td>Corporate social responsibility (CSR) behavior (β₂)</td>
<td>CSR behavior refers to the behavioral aspects of CSR and demonstrates a consideration of the CSR reporting instruments [2,20]</td>
<td>6</td>
</tr>
<tr>
<td>CSR communication instruments (β₃)</td>
<td>Ways in which organizations make their CSR projects known [8,73]</td>
<td>5</td>
</tr>
<tr>
<td>Financial transparency (β₄)</td>
<td>The extent to which financial reports reveal the index of the audit committee towards those using the financial reports [11,70,72]</td>
<td>6</td>
</tr>
<tr>
<td>Social impact assessment (β₅)</td>
<td>Include the social factors from Global Reporting Initiative and return on investment [37,61]</td>
<td>5</td>
</tr>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on assets (ROA) (β₆)</td>
<td>Calculated as the ratio between the company’s net profit and total assets [76,77]</td>
<td>7</td>
</tr>
<tr>
<td>Organization size (β₇)</td>
<td>Category to which it belongs</td>
<td>7</td>
</tr>
<tr>
<td>Environmental performance (β₈)</td>
<td>The effects of the investment in CSR on the natural environment [19,64,65]</td>
<td>7</td>
</tr>
</tbody>
</table>

According to the responses, a major part of the corporate sustainability instruments is related to increased financial and non-financial performance, followed by improved relations with stakeholders. In all the answers, we noticed that corporate sustainability reporting may support a correlation noted between the aim, objectives, and hypotheses of the research, and the preparation of the questionnaire and the responses collected from the managers involved in the research.

4. Results

The interpretation of the results was within the scope of the research, which regarded the characteristics of certain activities in the CSR reporting field that can contribute to optimizing the profile of socially responsible organizations according to existing international standards and approaches. The main statistics (mean, standard deviation, confirmatory factor loading) are presented in Table 3 for all research variables. The mean value, slightly below the middle answer option (scaled between 0 and 1), refers to the description of the overall modest orientation for corporate sustainability at the aggregate level.

The CSR behavior variable showed the highest correlation (0.58) in comparison to the CSR communication instruments (0.55) and corporate reputation (0.54). Additionally, organization size showed the highest correlation with the construct (0.52), in comparison to the return on assets (0.48) and financial transparency (0.46).

The first step in testing the hypothesized model was testing the model using the $\chi^2$ statistic. The value measured in this study was 2.94 ($\chi^2 = 74.62$, df = 25), the normed fit index (NFI) was 0.92, the comparative fit index (CFI) was 0.93, and the root mean square residual (RMSEA) was 0.078. Thus, based on the measurement of $\chi^2$, we found that the model effectively predicted the results.
Table 3. The key statistics. CR—composite reliability; AVE—average variance extracted.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Factor Loading</th>
<th>Cronbach Alpha</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate reputation ($\beta_1$)</td>
<td>320</td>
<td>4.48</td>
<td>1.468</td>
<td>0.54</td>
<td>0.58</td>
<td>0.35</td>
<td>0.63</td>
</tr>
<tr>
<td>CSR behavior ($\beta_2$)</td>
<td>320</td>
<td>4.72</td>
<td>1.572</td>
<td>0.58</td>
<td>0.67</td>
<td>0.32</td>
<td>0.38</td>
</tr>
<tr>
<td>CSR communication instruments ($\beta_3$)</td>
<td>320</td>
<td>2.76</td>
<td>0.276</td>
<td>0.55</td>
<td>0.58</td>
<td>0.52</td>
<td>0.71</td>
</tr>
<tr>
<td>Financial transparency ($\beta_4$)</td>
<td>320</td>
<td>3.74</td>
<td>0.532</td>
<td>0.46</td>
<td>0.69</td>
<td>0.22</td>
<td>0.52</td>
</tr>
<tr>
<td>Social impact assessment ($\beta_5$)</td>
<td>320</td>
<td>2.68</td>
<td>0.146</td>
<td>0.28</td>
<td>0.58</td>
<td>0.34</td>
<td>0.60</td>
</tr>
<tr>
<td>ROA ($\beta_6$)</td>
<td>320</td>
<td>2.56</td>
<td>0.245</td>
<td>0.48</td>
<td>0.68</td>
<td>0.32</td>
<td>0.61</td>
</tr>
<tr>
<td>Organization size ($\beta_7$)</td>
<td>320</td>
<td>3.18</td>
<td>0.269</td>
<td>0.52</td>
<td>0.59</td>
<td>0.52</td>
<td>0.72</td>
</tr>
<tr>
<td>Environmental performance ($\beta_8$)</td>
<td>320</td>
<td>2.47</td>
<td>0.181</td>
<td>0.44</td>
<td>0.62</td>
<td>0.52</td>
<td>0.68</td>
</tr>
</tbody>
</table>

The second step in assessing the model was testing the hypotheses. We measured the causal relations between latent exogenous variables and latent endogenous variables using the standard coefficient and significance value or with critical ratios using AMOS 18. In order to be verified, a hypothesis needs to be greater than $+1.78$ or smaller than $-1.78$.

According to the results obtained from the hypothesis testing (Table 4), financial transparency had a significant positive effect on CSR behavior (H5). The construct’s primary motive, CSR behavior, with a path coefficient of 0.48, was identified as the most effective variable. Regarding the influence of corporate social responsibility on transparency regarding financial performance, 61.40% of the subjects considered it to have a positive influence, only 33.34% considered it to have a negative influence, and 5.26% considered it to have no influence at all. Unexpectedly, the results of this analysis emphasized that the subjects did not consider that the number of clients pertaining to the provider could pose any risk of outsourcing the service.

Table 4. Standard coefficients and critical ratios for hypotheses.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Path</th>
<th>Standard Coefficient</th>
<th>Critical Ratio</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CSR behavior</td>
<td>Financial performance</td>
<td>0.48</td>
<td>6.74</td>
</tr>
<tr>
<td>H2</td>
<td>Corporate reputation</td>
<td>Financial performance</td>
<td>0.22</td>
<td>5.62</td>
</tr>
<tr>
<td>H3</td>
<td>Social impact assessment</td>
<td>Financial performance</td>
<td>0.18</td>
<td>4.44</td>
</tr>
<tr>
<td>H4</td>
<td>Environmental performance</td>
<td>CSR behavior</td>
<td>0.14</td>
<td>3.99</td>
</tr>
<tr>
<td>H5</td>
<td>Financial transparency</td>
<td>CSR behavior</td>
<td>0.38</td>
<td>6.14</td>
</tr>
<tr>
<td>H6</td>
<td>CSR communication instruments</td>
<td>Financial performance</td>
<td>0.17</td>
<td>4.72</td>
</tr>
</tbody>
</table>

The data analysis showed that, indeed, 64.3% of the subjects considered CSR behavior to be a necessary but, with a manifestation probability below 30%, relatively small index if analyzed at the individual level. Consequently, we can assert that the managers took the nonconformity risk from the financial statements into account when considering the economic reality and enforceable regulations.

Considering that a significant percentage of accounting professionals are women while individuals in management positions are predominantly men, such values were also analyzed according to gender. Following the analysis, we concluded that women allotted, on average, greater value to the risk level, with an average of 4.29, while the male subjects allotted an average value of 2.83. There appears to be a different risk-related perception between the genders due to the general predisposition of men towards risk and not due to the profession.

5. Discussion

The evidence presented in this article indicates that corporate sustainability reporting provided benefits to financial performance and increased effectiveness and created value through the process of designing and implementing the corporate social responsibility standards. According to the results, the managers of the analyzed organizations were convinced that the public is prone to trust those who are transparent and clearly transmit information of interest regarding their social responsibility initiatives and projects. The hypotheses related to CSR behavior (H1), corporate reputation (H2), the social impact assessment (H3), and the CSR communication instruments (H6) having significant effects on financial performance were supported. Furthermore, all hypotheses dealing with the links
between corporate sustainability reporting (such as social and environmental concerns) and financial performance were supported.

Drawing on these considerations, the results also tell us that:

- the formal reporting mechanisms, reflecting the levels of commitment to corporate social responsibility, and the financial annual reports may become tools for the interested parties;
- CSR reporting reflects corporate social responsibility practices, and it could also act to enhance public image and promote efficient CSR practices;
- manipulating financial results is not a new practice, but pro-active approaches to monitoring financial and non-financial performance are increasingly placing more weight on social and sustainability issues; and
- the impact of the CSR reporting instruments on the performance of the organization’s management varies depending on the size of the organization and the sector of activity.

It is also important to note that our results are complementary to previous studies [14,25,43,68,82–86] and have shown that since corporate sustainability reporting became fundamentally relevant, companies have been forced to focus on the following actions: materializing a vision for the future, logically addressing the challenges that arise from the sustainability reporting as part of the company’s annual report; analyzing the specific problems that the company faces in the development of the process of moving to corporate sustainability reporting, by eliminating the existing gaps in relation to financial performance; and formulating concrete strategies to ensure the implementation, monitoring, and transparency of financial reporting in relation to the experience and practice established in the reference social and political environment.

Additionally, the companies’ corporate sustainability activities, in accordance with GRI guidelines, have increasingly been common practice, since sustainability reporting is considered a tool for improving their decisions concerning sustainability.

Last but not least, further research may contribute by addressing the following aspects: developing and implementing sustainable enterprise development policies; increasing and improving reporting in developing countries; empowering organizations, governments, and the community to create new partnerships with stakeholders; evaluating the performance of the processes and services acquired by developing sustainability reports; and identifying new directions in sustainability reporting.

6. Conclusions

Sustainability reporting has a strong external (on shareholders) and internal (on employee productivity) impact. Combining financial and non-financial aspects within the same analysis can be fruitful for better assessing the viability of a company. Starting from this association, our research referred to a study of the top managers’ opinions in Romania on corporate sustainability reporting.

The findings of this exploratory study underline the importance of adopting sustainable strategies and objectives for businesses, appreciating the views of stakeholder groups when deciding to reconsider sustainability reporting, employee training, and the delimitation of the responsible groups in their drafting, but also the benefits experienced from the reporting process. As a result, the sustainability report becomes, on the one hand, an instrument to promote the enterprise and, on the other hand, a source of accessible information to consumers, real and potential investors, and/or other interested parties about the real impact of the enterprise’s activity on society and the environment.

Similarly, some of the hypotheses formulated following the research carried out and the tests applied were validated. Thus, we can conclude that managers who know the corporate reporting instruments were concerned with their integration into and the transparency of the organization. At the same time, they tended to become more concerned with corporate reporting in the confidence that all these initiatives offer the organization new opportunities to improve management practices and increase performance regardless of the company’s size. The positive correlations between the
corporate reporting level and financial performance results could encourage more firms to engage in corporate social responsibility activities and report these activities objectively and transparently.

This study also sustains the belief that using CSR reporting at the level of organizations in Romania can improve their financial performance, and it helps both diverse stakeholders and management regarding decisions and environmental regulations. As a theoretical contribution, this article brings a new perspective on the actual empirical studies that try to demonstrate the connection between the corporate sustainability reporting and financial performance.

The implication for management involves adopting a combined reporting strategy. At the same time, the prudence of the company that implements CSR in terms of the use of aggregation, biased and ambiguous reputation measures and unique indicators of financial performance results. Furthermore, this study also encourages diverse stakeholders and activist groups to aggressively demand corporate social responsibility activities.

Thus, Romanian companies that have adapted to the requirements of corporate social responsibility aimed, as appropriate, to impose short, medium, or long term strategies, which consisted of the organic incorporation of corporate sustainability reporting practices, according to their requirements.

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