"Integrated Reporting Challenges & Opportunities"

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Social and environmental performance indicators:- D*imensions of integrated reporting and benefits for responsible management and sustainability*

INTRODUCTION

Current global initiatives on sustainable development offer various incentives for companies to act responsibly, but fail to convince a significant number of managers. This is expected based on the existing sustainable development plans at the governmental level applied in many countries. In the knowledge-based economy, the need for new approaches to support decision making for market share in the international community. Additionally, they will bear the costs of greening and be forced to allocate large amounts to regain consumer confidence in order to control their losses. As a consequence, macro-economic growth is correlated to companies' sustainable activity. Sustainable development, defined as a call to maximize human welfare, is only possible if there are provided structures that encourages development, inno-vation, conservation, and discovery of new resources. Growth and increasing wealth through these methods, leads to improved social and environmental quality by raising demands for it and by providing the resources to meet these demands (Andersen et al., 2001).

The concept of sustainability must be analyzed and understood in relation to other concepts regarding the role and responsibilities of an entity and its performance. In this context, a trans-disciplinary conceptual framework is required to potentiate multidimensional understanding of the corporate role and responsibilities (Caraiani et al., 2010). Sustainable actions involving entities give high importance to the impact of economic, social and environmental factors in providing added value and information to stakeholders and reflect sustainable performance reporting.

Sustainability reporting formats help to refine the quality of integrated economic, social and environmental objectives and to intensify cooperation in the researched areas at the European, national, and international levels. They also involve relevant communities, stakeholders, and practitioners in the sustainable development process. Additionally, this reporting assimilates the research and provides knowledge that will be relevant to economic, social and environmental policies and for combining them in the short and long-term (Caraiani et al., 2010). Sustainability assessment models are based on an interdisciplinary approach that recognizes the need for an economy oriented towards advanced forms of decision and accountability. Exploring a broader area of decision-making situations in public and private organizations from developed countries involve a greater focus on accounting information for stakeholders' needs (Bebbington et al., 2007).

The management of sustainable performance requires a sound management framework which first links environmental and social management to the business and competitive strategy to management. Secondly, it is necessary to integrate environmental and social infor-mation with economic business information and reporting. Since Kaplan and Norton (1992) introduced the concept, balanced scorecard (BSC) has been at the forefront of professional management accounting innovations. From this perspective, we propose a rethinking of the relationship between the sustainability balanced scorecard (SBSC) as a strategic management tool and the sustainability performance reporting. We rely on the need for responsible management to address issues of corporate performance in a manner determined by elaborate a retrospective research of fundamental concepts frequently used in the practice of sustainability development, social and environmental reporting, and managerial tools used for sustainability assessment. This is established by providing a single language as a bridge of communication between the entity and the stake-holders (customers, suppliers, government agencies, employees' families, special interest groups) from different cultures. Another focus of the study is identifying and promoting best performance reporting practices used to substantiate sustainable decisions. Secondly, it develops concepts and identifies difficulties faced by companies in terms of sustainable performance reporting.

In order to justify the importance of companies' implication for economic growth, the study relies on the fact that the business strategy of any company is projected through the reported performance aggregate at a national level and interferes with the measurement of macroeconomic indicators.

STUDY ON THE CORRELATIONS BETWEEN THE CORPORATE SUSTAINABLE PERFORMANCE AND SUSTAINABILITY'S MACROECONOMIC INDICATORS

This aims at linking the macroeconomic vision of sustainable development requirements to the company's vision on sustainable performance reporting. It offers the process for formulating an SBSC, these findings lead to the conclusion that the decision on which structure is appropriate for a specific business unit cannot be taken without further consideration. Rather, it depends on the nature of the strategically relevant environmental and social aspects that are identified during the process of formulating an SBSC. The choice of how environmental and social aspects are integrated is therefore taken during this process, rather than at its beginning (Elijido-Ten, 2010). However, when an organization uses tools such as the balanced scorecard to manage goals and objectives, then there is a coherent vehicle for incorporating social and environmental objectives into the mix as well.

To set up a balanced scorecard to meet the requirements of sustainable development, a company should follow these steps (Crawford and Scaletta, 2006):

i. Identification of an integrated reporting - management vision of a company's performance;

ii. Adaptation of issues that define the economic, social and environmental performance to the company's sustainable strategy;

iii. Setting targets for every aspect of reporting;

iv. Developing and documenting the necessary actions to achieve the proposed objectives;

v. Developing a performance management model in relation to company objectives;

vi. Designing and implementing an integrated process for assessing integrate (TBL) performance for completion of objectives and actions at least quarterly. multidimensional concept of sustainable performance evaluation. The improved analytical methods and the increasing demands of stakeholders for presenting extensive information will continue to support the evolution towards the new generation of sustainable performance.

The usefulness of our study is given by the reality that more and more entities use integrated reporting to overcome the economic, social and environmental impact on their activity. This is not just employed as an instrument of accountability but also to shape strategies and to identify new sources of income and economic growth. Companies do not adopt sustainability for altruistic reasons, but rather to ensure increased profitability. Profitability and business expansion incite managers to use sustainable decision tools in outlining their business strategy.

Integrated reporting has the potential to provide information that complements financial reports with prospective data. This data helps users to better understand the reports in the context of promoting corporate governance, risk management, environmental-related responsibilities and the ability to innovate. At the same time, integrated reporting challenges the reality that companies must have a real sustainable business rather than just say it has. For responding to this challenge, a collaborative and multifunctional process is required for producing integrated reports. Comparability need to be the essence of collaboration, as the internal control and measurement systems for non-financial information are not as sophisticated as those for financial information.

Nowadays, the global crisis has demonstrated the need for reporting that gives better information about how a business is performing against long-term strategy. The literature review, the empirical evidence and the discussion within our study lead to one conclusion: that it is not about a combined reporting, but about integrated reporting that changes certain fundamentals of business sustainable strategy.

Sustainable Performance Reporting From The Perspective Of Responsible Management: Literature Research Evidence

Here, the concept of sustainable performance is pro-moted as an instrument for a company's communication towards its stakeholders, as participants in the overall, economic, social and environmental balance on different levels of information fields. As the need for sustainable practices in business becomes increasingly clear, integrated reporting gives real value to those who are responsible for the assessment of the current financial state of companies and to anticipate their future performance (Caraiani et al., 2009). Exploring a broader area of decision-making situations in the public and private entities in developed countries needs to involve a greater focus on the stakeholders' accounting information needs (Bebbington et al., 2007).

Research over the last decade refers to many incentives for social and environmental reporting (O'Dwyer et al., 2005; Cormier et al., 2005; Solomon and Lewis, 2002). Cormier et al. (2005) suggest that environmental-based reporting of the potential cost to be understood in the context of benefits to humanity. Studies show that investors tend to give a growing importance to sustainable actions reporting, reflected in the development of sustainable investment funds and methods (Koellner et al., 2005). Economic, social and environmental indicators are more frequently presented, generating useful management scenarios for anticipation of new risks and market opportunities. Epstein and Birchard (1999) investigated the state and best practices of how entities are integrating social and environmental impact into the management and decision-making process in order to create reports for a wide range of financial and non-financial information users. All these authors argue that internal reporting has the most important role and aims for a review of management decisions to meet social and environmental requirements.

Through consultative processes, the global reporting initiative (GRI) has selected performance indicators, identifying major issues based on internationally accepted standards. Reporting on the three levels of sustainable performance (economic, social and environmental) as proposed by the GRI (2002 to 2011) changes the perspective of shareholder value, from short-term to long-term value. This stresses that an activity's sustainability can be achieved in this new era of responsibility only if a company is meeting the challenge and does what is right for the environment and society. Reporting positive values for performance indicators reflects an increase in the company's value, which includes both shareholder value and profitability of human, social and environmental capital. Appropriate indicators and internal reports on economic, social and environmental issues, introduced by the management of companies stimulated the reorientation of external justification for later discussions, useful and necessary for companies to integrate economic progress through a specific instrument which includes indicators of sustainable performance.

The hypothesis formulated in order to meet the research objective is that: The extent of corporate sustainable performance reporting in country X is correlated with previous year performance measured at the macroeconomic level for that country.

The level of corporate sustainability performance reporting was measured by the number of companies that reported according to GRI, which was considered a dependent variable. Performance measured at macro-economic level was introduced in this study by two independent variables: EPI released in 2010, but referring to information for 2009 and GDP per capita for the year 2009.

DISCUSSION

Based on the afore considerations, this paragraph aims at rising debates to expand the conventional BSC to social and environmental issues that comply with the requirements of GRI. Sustainability measures are evolving, and the Global Reporting Initiative has developed one of the most coherent and widely used reporting frameworks (GRI, 2002 to 2011). This is, perhaps the best-known and most widely adopted framework for Triple Bottom Line performance reporting. A strategy-based balanced scorecard system aligned with principles of the 'Triple Bottom Line' offers a way to accomplish social and environmental goals while integrating them fully with financial performance and competitive advantage (Rohm and Montgomery, 2011). Most of the authors who have dealt with different approaches to integrate environmental and social aspects in the BSC neither considered explicitly the relationship between the different approaches nor discussed the preconditions of their respective appropriateness (Epstein, 1996). It is important to note that certain environmental or social aspects can be subsumed under the four con-ventional BSC perspectives parallel to the introduction of a specific perspective for other strategically relevant environmental or social aspects. We propose to advance the social responsibility reporting by introducing a matrix that extends the area of a conventional balanced scorecard to include social and environmental elements (Figure 5). Thus, it may capture the numerical and descriptive aspects of the way in which a company creates value for shareholders and society.

Research suggests that there is currently little relationship between measures in sustainability reporting and actual environmental, social or financial performance (Arnold, 2008; Chatterji et al., 2007).

Conclusions

This research paper supports the idea that for a company's sustainable development, its strategy and value creation cannot be analyzed in purely financial terms. Corporations must apply the principle of a balanced growth, based on various aspects, such as the multidimensional concept of sustainable performance evaluation. The improved analytical methods and the increasing demands of stakeholders for presenting extensive information will continue to support the evolution towards the new generation of sustainable performance.

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