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Performance of Multinational Companies, through the Prism of Social and Environmental Accounting

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Abstract: For all companies, regardless of the field in which they operate, performance is an objective of the investors and an obligation of their management, an attitude which in principle is or should be found in national or state companies, regardless of their size. According to the bibliographic analysis, the evolution of opinions regarding performance were not always convergent, its definition being done both at a general level, but especially through particularized expressions, which, over time, focused on two currents of thought, one characterizing the economic system of companies using specific quantitative indicators and another based on a behavioral perspective oriented towards the quantitative-qualitative side. Since the reality of our days is dominated by the supremacy of multinational companies that imprint the meaning of the world economy, it is implicitly necessary to adopt and adapt a multidimensional vision on performance, which takes into account the interdependencies: internal, which manifests itself between subsidiaries, between them and the parent company, between subsidiaries and the company and the employed staff; external, which manifests itself between different multinational companies and between their subsidiaries in all economic aspects, quantitatively and qualitatively; external, between multinational companies (including their subsidiaries), and the community. If 15-20 years ago, performance also covered the evolution of a simple social trend, over time it turned into an everyday reality, the change being due to multinational companies, which through their migrationist and offensive attitude induced and materialized on a conceptual and practical level the performance of social responsibility activities. Through the prism of this plurivalent vision, a new concept of performance has resulted, namely global performance, with synergistic effect in several directions, namely sustainable economic, social and societal and environmental, ecological, combining financial performance with social and environmental performance.

Keywords: community; environment; financial performance; global performance; multinational companies; social responsibility

JEL Classification: F63; M14; M41; Q56

1. Introduction

In recent years, in the less developed states of Eastern Europe, including our country, great difficulties have been registered regarding the economic and social sphere in correlation with the path of democratic governance, which they want to follow after the events of the 90s.

These difficulties come from the fact that the capitalist direction imprinted on the economy must take into account globalization, whose main actors are multinational companies, which look at the economy

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in terms of financial performance, in obtaining profit not always respecting ethics, the environment and the community.

This situation is also generated by the political factors, which, although they were democratically elected, were not sufficiently prepared, interested or responsible, being often the cases when the approved social policies did not follow the interest and expectations of those who elected them, the multinational companies playing the game according to their own interest in obtaining the highest possible financial return.

However, as a positive effect of globalization, multinational companies, which have understood very well the beneficial influence on the performance of social responsibility activities, have adopted and implemented at the company level, honest practices and social policies favorable to communities and the environment, regardless of the area of interest where it works.

At the same time, citizens have a much more demanding attitude regarding their right to be informed and to respect social and environmental needs, exerting an ever greater influence on the decisions of multinational companies.

From this company-community behavioral symbiosis, the need arises for a methodology that, in addition to financial performance, reflects the social performance of multinational companies' activities.

2. Data Analysis. Theoretical Foundation

In the context of globalization, multinational companies have adopted and implemented in their activity the concept of sustainable development which, in the simplest defining terms, represents "all the forms and methods of socio-economic development that focus primarily on ensuring a balance between social aspects, economic and ecological and the elements of natural capital"[1].

The social responsibility that derives from this is incumbent on multinational companies to answer if their intentions exceed profit maximization.

In this hypothesis, performance acquires new values and interpretations including unlimited economic, social and environmental aspects, implicitly the notions of effectiveness and efficiency being resized, quantitatively, but mostly qualitatively.

From the specialized literature, we deduced that the chronological trend of the concept of performance, correlative with social responsibility, had a phased temporal evolution, as follows:

• the 1950s-1980s when performance had very clear and homogeneous criteria for expression, such as: turnover, productivity, production costs, adaptability, flexibility, etc.;

• the 1980s-1990s to which criteria were added depending on the achievement of the objectives;

• until the year 2000, the multinationals adopted the efficiency and effectiveness of the activity, as the main performance indicators;

[1] https://ro.wikipedia.org/wiki/Dezvoltare_durabil%C4%83, accessed on 26.02.2023.

• in the last period continued until now, the approach looked at the value created in interdependence with the allocated cost, through the lens of sustainable development, corporate governance and social responsibility.

If for Reynaud (2003, pp. 1-15) and Baret (2006) the global performance is presented in an economic-social-environment aggregate form similar to Iamandi (2008), for Germain (2004, pp. 34-41) it comes from the financial-social-societal symbiosis.

In my opinion, as a synthesis of the bibliographic study, global performance must be approached correlatively at the micro and macroeconomic level. At the macroeconomic level, the two-dimensionality of performance defined as financial (economic performance) and non-financial (social-environmental), is found at the microeconomic level in the consistency of the company's financial performance with sustainability (economic development in balance with natural resources) and with social responsibility (obligations towards employees, the community, third parties, etc.).

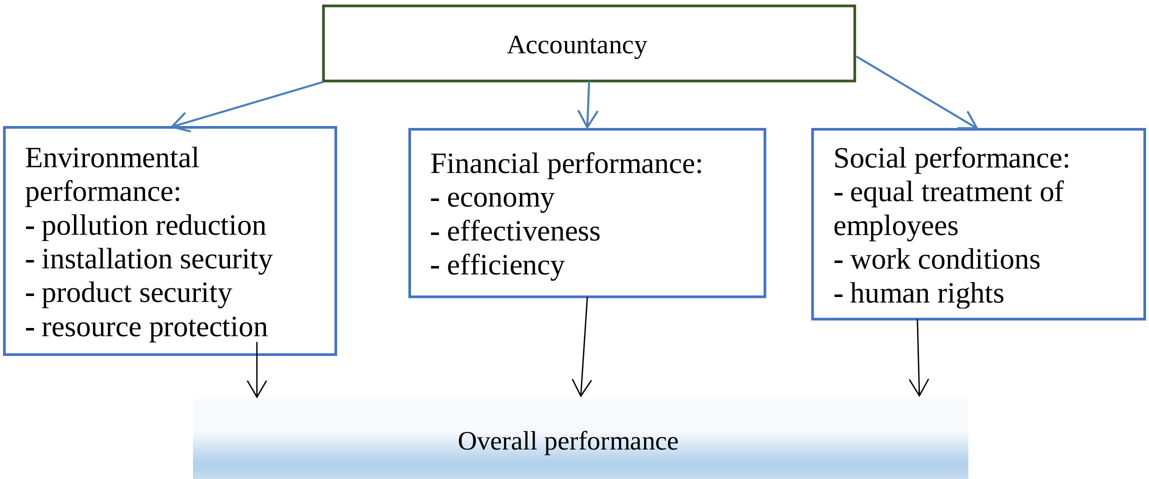

Figure 1. Global Performance Model
(Source: Own Contribution)

This perspective of the global performance of multinationals actually represents that invisible hand of the market suggestively presented by Adam Smith "When one invests his capital in the support of industry he does it for his own benefit; therefore he will always try to use it in the industry of whose product will be of greater value or in return for a greater amount of money or other goods. In this he consists, as in many other cases, guided by an invisible hand to achieve a goal that was not in his intention. And it is not bad for society either that it was done in this sense. In search of his own interest, man often favors that of society better than when he really wants to do it" (Smith, 2006).

According to this model, global performance is characterized by a series of interdependent parameters, classified differently depending on the context in: internal and external, quantitative-value and qualitative, physical, technical and workforce, financial or non-financial, context in which the economic , efficiency and effectiveness have new dimensions.

Economic performance is characterized by indicators that express the planned and achieved results, statically and dynamically compared to the competition and evolutionary, quantifiable as follows:

- quantitative, volume, in turn defined in relation to effort (equity used, investments, productive capacity, salaries, money, stocks, etc.) and effort (goods production, cashed production, turnover, net or gross profits, dividends , added value, etc).

- qualitative, expresses the efficiency of the activity (productivity, profitability through various rates, asset rotation, solvency, liquidity, etc.).

Social performance is not very clearly defined in the specialized literature, but all opinions converge towards its connection with social responsibility and its measurable practical transposition by satisfying the requirements of employees, contributing to the well-being of the community (sponsorships, donations), adopting and implementing sustainable development, in principle the satisfaction of the social partners.

Hillman and Keim (2001, pp. 125-139), based on research carried out in 2001, found a direct proportional relationship between financial performance and the satisfaction of employees, buyers and the community, and McWilliams in the same year demonstrated the increase in income through an improvement in the production process and the quality of goods offered.

Environmental performance, which completes the triad of global performance, is a priority of multinational groups, as there is an aggressive depletion of natural resources, the economy and implicitly economic performance being dependent on these resources.

In addition to classical economic theory, which, along with labor and capital, presents the environment as a significant factor of production, we must bear in mind that it is the main supplier of natural resources for the economy and which keeps the labor force alive.

According to the European Commission (Guide Regarding the Environmental Legislative Harmonization of the European Union, 1998), environmental performance is quantified by the results of its management and the companies' nerifications through the lens of environmental policies, general and specific objectives of their activity.

Summarizing the above, the performance of a multinational company, regardless of how it is classified, is defined by its ability to create added value, through the management based on efficiency and effectiveness of the activity that becomes more and more complex taking into account the economic interest, social and environmental.

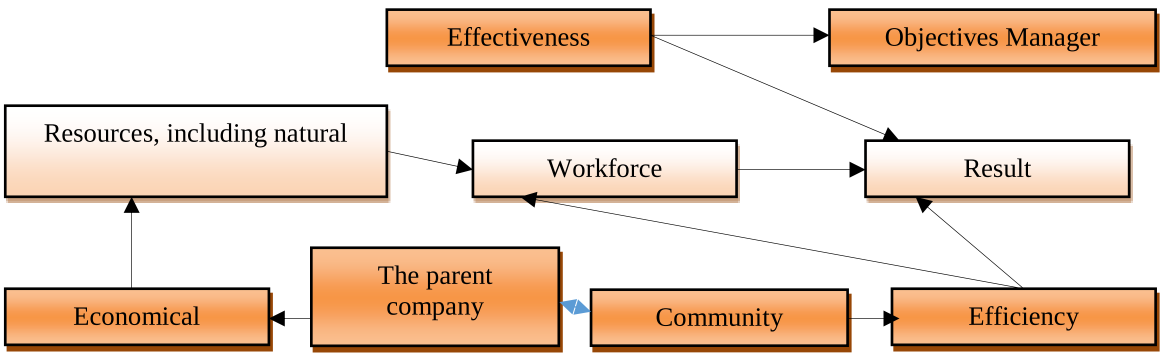

Figure 2. Correlation of the 3 E's with Economic, Social and Environmental Interest

Source: Own contribution

Global performance in the case of multinational groups must be viewed differently from a single company, through the prism of typical characteristics of them, which have defining influences, such as:

• subsidiaries in the group are legally independent, with their own personality, giving great flexibility to aggregate performance objectives and ways of achieving them;

• the centralization of the final decision in the hands of the parent company, can generate contradictions and animosities at all management levels subsidiaries-subsidiaries, subsidiaries-parent company, etc.;

• the decision-making structure apparently dissipated, but unitary and convergent, improves the social and environmental performance through uniform responsibilities and clear competences, taking into account an experience from communities and different social and environmental regulations, depending on the location of the subsidiaries;

• the complexity of the group requires a rigorous control of activities regarding social and environmental responsibility, which are under different national state jurisdictions;

• an important characteristic of the global performance at the multinational group level, resulting from all three forms of expression (financial, social and environmental), is the informational, managerial, planning unit, with a common purpose and with achievement objectives at the level branch and group, in the form of an integrated policy.

3. Conclusions

Multinational groups, through the lens of investors' interest in global performance, also imposed their corporate governance mode, adding the term corporate to the notion of social responsibility, moving from the Shareholder Model (the interest for shareholders) to the Stakeholder Model, which tracks performance through satisfying the interest, in addition to that of shareholders, employees, third parties, partners, community, authorities, etc. The essence of global performance resides in the idea that the focus of the shareholders no longer pursues fruition through dividends anyway and by any means, but in conditions of transparency, adaptation and adoption to the common interest, in order to face crises and avoid bankruptcy. The same way of presenting the performance is also aimed at optimizing it, at each level, individually from the subsidiary (micro level) aggregated to the group level (macro) in the center being the parent company. Summing up, the global performance based on social responsibility in the conditions of multinational corporate governance, has as its basic objective the maximization of the group's results and value, producing added value, through the lens of shareholders and with the satisfaction of all interested parties (employees, partners, authorities, community, etc.).

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