THE USE OF NON-FINANCIAL INFORMATION IN STAKEHOLDER DECISION-MAKING

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Abstract. *The informations is essential for making decisions within an entity but does not have to focus on a single form of information. Financial informations is usually the primary factor of a decision, but the informational requirements of the current market highlight the stakeholders' focus on non-financial information, on environmental or social issues, and on the links between financial and non-financial information.*

Traditional financial reports do not contain a wide range of non-financial information, but rather limited. Thus, at global level, the perspective of corporate reporting has changed, resulting in other types of reporting aimed at highlighting non-financial information and meeting the information requirements of stakeholders. Stakeholders appeal to environmental reports, corporate governance reports, social responsibility reports, sustainability reports, and integrated reports to get the most out of an entity's work.

Currently, non-financial information is a significant factor in stakeholder decision-making.

Keywords*: non-financial information, decision, stakeholders, reporting.*
JEL*: M41, M49*

Introduction

On a global level, the economic environment changed the perspective over corporate reporting, next to the demands and needs of stakeholders, together they led to a complete report and transparency in which financial and non-financial information are in a state of interdependence.

Financial and non-financial information do not have a firmly established definition, but they exist in practice under several forms, such as social, environmental, corporate governance etc. or any other information that cannot be included in the financial category.

The companies which are interested in offering a clear and complete image over their activity publish financial, as well as non-financial information through different kinds of reports, meant to aid stakeholders with the process of making certain decisions.

At the same time, the variety of stakeholders makes us understand communication as a complex system requiring specific training to be managed in an efficient manner so that messages can be transmitted with the information most appropriate to the circumstance in question, both in both verbal and nonverbal communication, without giving up the components that seem insignificant (Mates, Ciubotariu, 2016, p. 306).

1. Financial information versus non-financial information

Usually, financial information is associated with financial situations, information which i found in an annual report. This category includes the following: information regarding financial performance, cash-flow, variations of capital, profit, net asset value, the value of debts, etc. Financial information represents a category of information regulated through various accounting referentials at a national, European or international level.

In the case of non-financial information there is not a general definition accepted, and in practice, it is associated with several categories of information. Eccles and Krzus define non-financial information as a "widely used term which applies to all of the information reported to shareholders and other concerned parts, not defined by an accounting standard or of an estimation based on an accounting standard, such as cash-flow, which fit in the category of financial information." The authors distinguish non financial information in 3 groups: intangible actives, performance key indicators, social information about environment and corporate governance (Ecles, 2010, p. 84).

Financial information is regulated at national, European and international level, a legal obligation for entities around the world, as well as information on corporate governance that has become mandatory in most countries. Non-financial information is not as well regulated as the financial ones, more social or environmental categories of information are generally voluntary.

Companies interested in fully viewing their business and responding to stakeholder requirements adopt various standards, guidelines to help them report information and sustain the development of their business.

The informational requirements of the current market outweigh the scope of traditional financial reporting and we can list them as follows:

In the first instance, the need to complete financial information based on accounting standards presented by entities with other non-financial information in the interest of investors. Some reasons found in the literature that support this idea are:

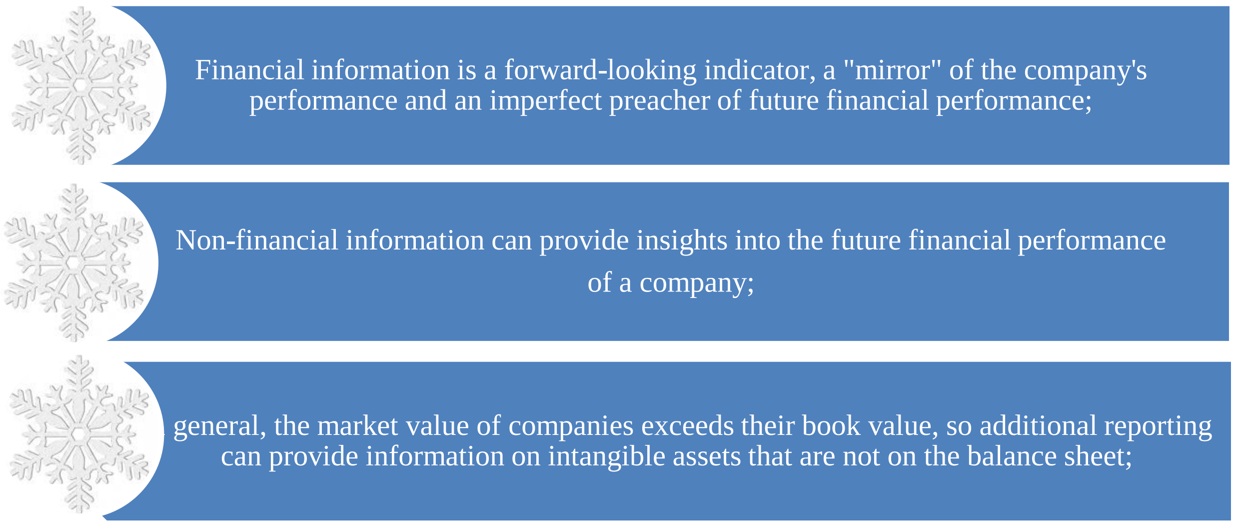

Figure 1. Financial information based on accounting standards presented by entities

Source: Own elaboration after Eccles, 2011

The second relates to reporting information to stakeholders other than investors, information on their environmental or social performance, corporate governance, or value created over time.

And last but not least, the obligation to report certain categories of non-financial information introduced by the regulators at the level of each country.

So, in a short time, changes have been noted in terms of economic and financial communication and how to address any company-related information. Lack of confidence from all stakeholder categories has become so great that the slightest trace of false information can have disastrous consequences for the company (Mates, Ciubotariu, 2016, p. 303).

The stakeholder pressure spoke on how companies reported their information, and social and environmental information, governance and risk management, financial and non-financial performance gained ground in company-published reports.

Publishing non-financial information, generating public expectations and managerial commitments, should therefore stimulate a "responsible" growth (Burlaud, 2015, p. 43).

As a result, companies publish a series of reports to support stakeholders and supplement the financial information provided through traditional financial reports. Among the company's published reports are the following:

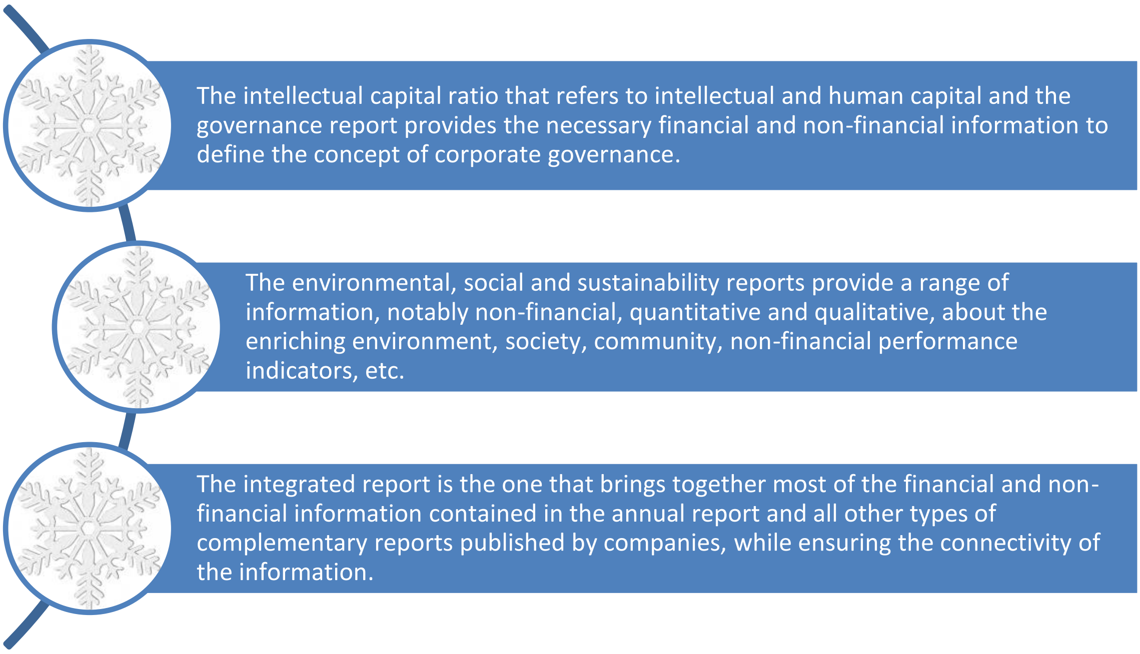

Figure 2. Types of reports published by entities

Source: Own elaboration after Paternostro, 2013, pp. 62-65

1. The use of non-financial information in stakeholder decision-making

The basis for decisions within an entity is the information. However, financial information should not be the primary factor of a decision, but should be viewed as a set together with non-financial information. A decision that is not financially viable is abandoned in most cases. But entities should also take into account non-financial information (information that is not or can not easily be expressed in monetary values) as it can provide entities with some competitive advantages such as increasing customer satisfaction or employee satisfaction, strengthening the position on the local market, mitigating the impact on the environment. Focus on financial aspects can bring a bigger profit in the short term, which will cost the long-term business. Including non-financial information can bring long-term success to the entity. As a result, entities must provide financial and non-financial information so that users can make the best decisions (Dima, 2015)

Neglecting the non-financial aspects can adversely affect an entity, for example, if spending on employee training reduces, it will save short-term amounts, but will lower employee motivation, implicitly the quality of work, which will lead to diminishing short-term profitability. Even though financial information is easier to access, we believe that entities must also provide non-financial information because both categories are an integral part of the decision-making process. Given the current user information demand, ignoring non-financial information exposes the entity to certain risks that may have serious financial consequences. Thus, in the table below, we presented several categories of stakeholders and the way in which non-financial information can be capitalized in their decision-making process.

Table no. 1: Valuing non-financial information in stakeholder decision-making

Stakeholder categories	The way in which stakeholders are influenced in the decision-making process of disclosing non-financial information
Investors	They are more willing to invest in companies that show financial performance in addition to financial performance. Due to the wide range of non-financial information included in in various reports, investors are more convinced of the credibility and transparency of an entity's activity.
Employees	Presenting non-financial information about working conditions, job security, the existence of non-discriminatory criteria, etc., which can make employees proud that they work there and become more motivated and loyal to the company due to the adoption policy. In the same way, it influences possible employees in choosing a job from one company to another.
Customers	Customers will be more attracted to the image of a company that is perceived as being socially responsible and presents certain information directly related to them, such as customer

	satisfaction performance indicators, also associated with financial data, which will lead to an increase in the number of customers and implicitly sales of the company.
Suppliers	Suppliers easier to conclude supply contracts because there are companies that support their suppliers through projects to help them grow; The more non-financial information in different reports is richer, the more vendors can develop their own predictions of an entity, representing a guarantee of the continuity of the business relationship for them.
Media	Providing information about an entity's activity such as social, environmental, CSR actions, etc., leads to an image improvement of an entity, but can also influence the behavior of other companies;
Government and State Institutions	Using non-financial information included on their own initiative in the various reports, State institutions may decide to make mandatory reporting of certain categories of information if their usefulness is demonstrated. The state may grant some tax incentives or non-reimbursable funds for certain social activities supported by companies; They have a higher degree of assurance that entities comply with tax legislation, environmental and labor law, or other European and international standards.
NGOs	NGOs are more likely to enter into partnerships with companies to support social causes or to run social or environmental programs.
Society / community	Society / community. Provides greater confidence to entities that voluntarily accept reporting non-financial information; Mobilizing the community to support a cause or making donations and even volunteering; Changing behavior towards a negative problem that affects the community (waste disposal, discrimination of any kind, human rights violation, etc.).

Source:Own elaboration

Conclusions

The requirements of the current information market have prompted entities to include as much non-financial information as possible in their reporting, and regulatory authorities have taken a step further by introducing a binding nature of certain elements of non-financial reporting, which differ from one country to another.

The stakeholder theory has demonstrated a strong interdependence relationship between an entity and stakeholders, therefore disclosure of social and environmental information, information on corporate governance, non-financial performance and financial and non-financial risks is necessary for the long-term sustainability and survival of the entity . The stronger the stakeholders, the more the entity needs to adapt. In the current context, entities need to comply with legal regulations in the industry and respond to the information requirements of stakeholders who are increasingly focusing on non-financial information to build an overview of a company's business. Each category of stakeholders reacts differently in the context of non-financial information, but it is clear that at present a decision is based on both categories of information.

Instead, the disclosure of a wide range of non-financial information can be seen as a proof of transparency by companies, but at the same time posing a risk to companies. Thus, companies must ensure a diversity of non-financial information that helps, influence stakeholder decisions in the positive sense, and does not lead to the loss of competitive advantage. There must be a balance between financial and non-financial information and the latter have become a key element in decision-making and risk management.

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