**What Role Do Sustainability Strategies Play in Driving Economic Performance? Insights from Romanian Corporations**

**Abstract:**

Corporate sustainability is an increasingly important part of business strategies worldwide. Romanian corporations are integrating green policies as global awareness of environmental impacts grows. However, corporate economic performance is yet to be determined by these green policies, with a lack of specific evidence on how sustainability efforts impact profitability and long-term growth. This study aims to fill this gap by investigating the influence of sustainability strategies on corporate economic performance, innovation efforts, and proactive strategies from a management perspective. The research **addresses the following key question: How do green policies impact economic stability and long-term growth across sectors in Romania?** In this study, 149 CEOs and CFOs were surveyed about economic health and strategy. This data was then compared with official Romanian Ministry of Finance financial records for a ten-year period for a balanced, comprehensive assessment of corporate financial performance over time. The findings indicate that **the transportation sector lags in adopting green strategies, primarily due to financial constraints linked to outdated fleets and associated costs of sustainable transitions**. These insights point to **a broader implication: achieving corporate sustainability in Romania will require sector-specific policy interventions**. Furthermore, **this research highlights that aligning corporate growth with environmental goals is achievable through innovation, fiscal support, and proactive sustainability planning**. **This study underscores the importance of policy and organizational change, particularly within high-impact sectors like transport,** to facilitate Romania’s sustainability transition. **Future research should expand to include longitudinal studies that assess the economic and environmental impacts of green policies across additional sectors, and examine how specific support mechanisms influence sustainable development.**

**Keywords:** Economic Performance; Innovation; Proactivity Romanian Corporations; Sustainability

**Introduction**

*Background*

Over the past few decades, extensive research has been conducted on corporate sustainability and economic performance. **Sustainability was once regarded as a costly obligation that reduced profitability, however recent studies indicate it actually enhanced financial performance, especially over time.** Business today relies heavily on sustainability and resilience, which have become integral parts of corporate strategy. Sustainability refers to the ability to maintain or improve systems without depleting resources or harming natural processes. In contrast, resilience refers to an organization's ability to cope with disruptions, whether environmental, economic, or social. **As a result of the synergy between sustainability and resilience, companies seek both economic success and positive environmental impact through corporate sustainability entrepreneurship.** **In this dual pursuit, a corporation's economic health is intertwined with its commitment to "green politics"-policies aimed at reducing environmental impact.**

*Context of Romania*

The Romanian economy has grown rapidly in the last two decades following its 2007 accession to the European Union, resulting in substantial structural reforms and an increase in foreign investment. Romania was one of the fastest-growing economies in Europe, largely driven by the services sector (World Bank, 2023). Corporate sustainability is gaining traction in Romania, with companies aligning their strategies with sustainable development goals. The shift reflects broader European and international trends that see sustainability as an essential element of corporate responsibility and economic success. **Romanian businesses can gain a competitive edge by adopting green initiatives—such as energy efficiency and eco-friendly products. In addition, environmental regulation compliance often gives these companies an advantage over their competitors. Studies of corporate sustainability entrepreneurship in Romania (Nicolau et al., 2022; Zamfirache et al., 2023; Niţu-Antonie et al., 2023; Grigore et al., 2021; Sitnikov et al., 2021) show that sustainable practices are becoming embedded in entrepreneurship.** Sustainability principles are becoming increasingly important for Romanian firms to drive innovation, boost competitiveness, and address environmental and social issues. Long-term success in the market can be achieved by aligning Romanian companies' strategies with sustainable development goals. The following table summarizes key studies that offer insights into Romania's complex sustainability dynamics:

Table 1: Key studies presenting Romanian insights into the relationship between CSR and financial performance

|  |  |  |  |
| --- | --- | --- | --- |
| **Author** | **Aim** | **Result / Conclusion** | **Impact** |
| Tăbîrcă et al., 2020 | Analyze young entrepreneurs’ conduct and knowledge in CSR. | Entrepreneurs are aware of CSR, but prioritize profit. | Older firms are more committed and investigate the benefits of CSR deeply, while newer ones are more superficial in their research. |
| Costache et al., 2021 | Identify barriers and facilitators for sustainability in Romanian SMEs. | A wide range of drivers and obstacles were identified, with connections between these and firms’ characteristics. | The desire for companies to attract new employees through sustainability policies increases with the number of employees in a company. |
| Socoliuc et al., 2020 | Define and analyze the risk factors and vulnerability in Romania’s forestry sector. | Companies operating in Statistical classification of economic activities in the European Community (NACE) 240 and NACE 210 performs better in managing vulnerabilities compared to those in NACE 220 and NACE 230. | Provides stakeholders and the state with insights to identify vulnerable entities and sectors, influencing policy decisions in forestry. |
| Tokes 2021 | Examine the content and quality of online CSR reports of the eight largest companies with the highest CSR index scores in Romania in 2020. | High-quality CSR reporting is common in multinational and large companies; non-financial reporting is prevalent in sustainability reports, while websites offer broader information. | High-quality CSR reporting is still emerging in Romania and is mainly seen in multinational and large Romania-based companies. Younger generations are increasingly interested in CSR. |
| Matei et al., 2021 | Analyze the relationship between the CSR and financial performance in Romania. | CSR actions carried out by companies from Romania in accordance with ISO 26000 positively impact financial performance, while sponsorship expenses have a neutral effect. | Sponsorship expenses for CSR have no impact on profitability due to deductions by the Romanian State. |
| Stoica 2021 | Study CSR policy implementation in Romanian large companies. | Excessive freedom in CSR reporting leads to self-laudatory reports and a decline in public trust, necessitating stricter national and EU legislation. | CSR in areas like education, health and rural development has a strong impact on companies, influencing the broader business environment. |
| Sitnikov at al., 2021 | Analyze Romanian consumers’ perception of CSR. | Consumers have a positive opinion of companies involved in CSR and reward them with improved reputation and loyalty through purchases. | Managers must engage in CSR activities to maintain stakeholders support and protect the company’s reputation. |

*Gaps in the literature*

**This research seeks to clarify the dynamic relationship between corporate economic performance and green practices adoption** in Romania. By examining how sustainable initiatives correlate with economic outcomes across various sectors, this study contributes insights that can guide corporate strategy. The study identifies patterns and outcomes that correlate sustainable practices with economic success in Romanian companies.

This study fills several gaps in the literature on CSR. Emerging markets like Romania have received less attention in literature than well-established markets. Studies suggest that green innovation may have more short-term costs than long-term benefits, further complicating the debate over the financial benefits of sustainability initiatives. This research offers insight into how Romanian companies are navigating the complex relationship between sustainability and financial performance.

Additionally, while some research has examined the impact of CSR on financial performance (Matei et al., 2021) and profitability (Socoliuc et al., 2020), little attention has been paid to the specific relationship between green policies and economic outcomes. As the current study emphasizes this link, it provides a deeper understanding of how sustainable practices directly impact corporation financial health across a variety of industries, particularly because sector-specific analysis has been scarce, with most studies focusing on isolated industries (Socoliuc et al., 2020). A broader sectorial comparison is needed to highlight sectorial variations in the relationship between sustainability and economic performance.

Moreover, studies have focused on entrepreneurs' awareness of CSR (Tăbîrcă et al., 2020) or consumer perceptions (Sitnikov et al., 2021), but there is limited research on how management teams perceive and implement green policies. By investigating how managers perceive and implement sustainability measures, the present study shed light on the internal decision-making processes that drive the adoption of these practices and their influence on the economic performance of the company.

As a result, this study fills gaps in the literature and contributes both to academic discourse and business strategies by providing original insight into the intersection of economic performance and green policies.

**Literature review**

*Theoretical background*

Contemporary economies have turned corporate sustainability into a central concern (Romero-Lankao et al., 2016; Olsson et al., 2014; Glinyanova et al., 2021; Mauer et al., 2019). Due to the increasing recognition of sustainable economic performance, corporate sustainability entrepreneurship has developed. It focuses on identifying, developing, and maximizing sustainable economic opportunities (Pejman et al., 2017; Pierce et al., 2011; Kimuli et al., 2020) and is closely related to corporate social responsibility (CSR) and broader sustainability issues (Schaltegger et al., 2021). Notably, despite corporate sustainability entrepreneurship's growing popularity, some scholars argue that its implementation lacks clarity and consistency across industries, suggesting that its practical applications need to be explored further. In sustainable business, products and services prioritize social and environmental benefits (Rosário et al., 2022). The rise of corporate sustainability entrepreneurship is driven by an organization's corporate status, its role as a pioneer or innovator, and its engagement with complex sustainability problems. **There is, however, a gap in understanding how specific contexts support or hinder sustainable initiatives, demonstrating the importance of understanding the specific contexts.** An analysis by Nurul Awatif Ahmad Saufia et al. (2015) highlights the importance of examining the dimensions of sustainability-specifically environmental, social, and governance (ESG) factors-and their correlation with financial metrics such as profitability, return on assets, and stock market performance. These elements collectively inform coherent corporate decisions and behaviors (Nunes et al., 2021; Aguilera et al., 2021; Settembre-Blundo et al., 2021; Gomez-Trujillo et al., 2019), shaping the sustainability trajectory of corporations.

The next step after understanding general principles of corporate sustainability is to examine key theoretical frameworks. Our understanding of corporate sustainability, resilience, and economic factors is shaped by key theoretical frameworks and empirical studies. Business practices are increasingly incorporating ESG factors, which has led to greater attention paid to corporate sustainability and its relationship with economic success. Using Elkington's (1997) Triple Bottom Line (TBL) framework, economic, environmental, and social objectives are balanced. The relationship between sustainability and economic performance has been studied extensively, with varied results. **Some studies show a positive correlation between sustainability efforts and financial performance, while others highlight the short-term costs and challenges organizations face when implementing sustainable practices (Margolis & Walsh, 2003).** In this context, value creation encompasses both financial outcomes and environmental responsibility. As well as improving reputation, increasing loyalty, and enhancing resource efficiency, the TBL framework also provides numerous challenges to its implementation. Moreover, based on the Resource-Based View (RBV), a firm's competitive advantage derives from its unique internal capabilities and resources that are valuable, rare, and hard to duplicate (Barney, 1991). Investments in sustainable practices—such as energy efficiency and responsible supply chain management—become strategic resources that can bolster firm performance. Hart (1995) shows that companies that leverage sustainability as a strategic asset often achieve cost savings, innovation gains, and competitive differentiation. Eco-efficiency strategies, for instance, can reduce waste and operational costs while appealing to environmentally conscious consumers (Hart & Dowell, 2011).

**Considering sustainability's financial implications, it is important to note that, although green entrepreneurship incurs costs (Tien et al., 2020; Neumann, 2022), strong financial performance can support a company's pursuit of sustainability and innovation (Bilan et al., 2020).** Sustainability initiatives are more effective for financially sound companies (Liu, 2023), resulting in long-term benefits for both organizations and environment. In order to engage in sustainable practices and innovation (Menne et al., 2022; Tolliver et al., 2021), a company's financial health plays an important role. Strong financial results are often a better starting point for developing sustainable products, improving energy efficiency, and investing in green technology. Organizations with healthy finances can focus on long-term gains associated with improved sustainability rather than short-term profitability pressures.

Based on meeting the needs and expectations of customers, employees, suppliers, communities, and investors, Freeman (1984) developed stakeholder theory for evaluating firm success. As a result, sustainable business practices enhance stakeholder relationships and improve financial performance. According to Spence's (1973) signalling theory, firms engage in sustainable practices to signal their long-term vision and management quality. Through sustainable initiatives, companies communicate their forward-thinking, responsible, and less risk-taking behaviors to the market. According to Jo and Na (2012), firms committed to sustainability attract more capital and receive lower equity costs. Investing in sustainable practices often leads to improved profitability, as evidenced by a meta-analysis by Orlitzky, Schmidt, and Rynes (2003). Green Product Innovations (GPI) aim to minimize the environmental impact throughout the product life cycle (Pejman et al., 2017), thereby alleviating environmental pressures (Peters et al., 2021). Nuryakin et al. (2020) suggest a close linkage between green innovation and company profitability (Xuemei et al., 2019; Lin et al., 2013). As Porter and van der Linde (1995) posited, well-designed environmental regulations can stimulate innovation and boost economies. On the other hand, some studies suggest sustainability initiatives can strain financial resources in the short term, particularly with regard to costs (Margolis & Walsh, 2003). Such costs, which result from upgrading technologies, modifying processes, and complying with regulations, can undermine an organization's fiscal health.

**In examining the broader institutional context, institutional theory highlights that** regulations, industry norms, and societal expectations shape corporate behavior (DiMaggio & Powell, 1983). Companies that adopt sustainable practices often respond to external pressures, which enhance credibility and compliance. **However, relying on external pressures makes sustainability initiatives vulnerable to changes in regulatory landscapes, emphasizing the need for intrinsic motivation.** Sustainable development strategies align with regulatory expectations and help firms avoid fines, improve their reputations, and gain market advantage (Bansal & Roth, 2000). Companies proactive in sustainability often enjoy long-term financial benefits through reduced regulatory risks and enhanced market positioning (Jennings & Zandbergen, 1995).

*Hypotheses development*

**Managerial satisfaction:** Strong financial results enable companies to invest in sustainability, since they are less focused on short-term profits and more focused on long-term gains (Menne et al., 2022; Tolliver et al., 2021). Although much of the literature explores the costs of transitioning to green entrepreneurship (Makloufi et al., 2021; Söderholm, 2020), financial success can drive sustainability and innovation. The managers of companies with financial stability view green investments as strategic, while those facing financial uncertainty prioritize short-term goals. This hypothesis examines if better economic health fosters more green investments among Romanian corporations.

**H1. Managerial satisfaction with a company’s financial performance influences green policies adoption.**

**Managerial innovation:** Innovative companies are more likely to develop solutions that reduce environmental impact (Yin et al., 2022; Ionescu et al., 2020). The adoption of eco-friendly technologies often leads to improved economic efficiency (Singh et al., 2020). Innovative managers are also more inclined to pursue green initiatives, since they are better equipped to identify sustainability opportunities. This hypothesis explores managers' self-perception as innovative and their willingness to implement green policies in Romanian corporations.

**H2. Managers who perceive themselves as innovative are more likely to pursue green policies.**

**Here we can add moderating variables like organizational culture or market competitiveness…**

**Proactivity:** Proactive approaches target sustainability challenges and opportunities before they arise (Ari et al., 2020; Carhano et al., 2022). In this way, sustainability is integrated into core strategies, driving innovation and long-term competitiveness (Adamako et al., 2020; Shah & Soomro 2020; Tu & Wu, 2020; Padilla-Lozano et al., 2021). Besides improving environmental performance, this strategy will help businesses stay ahead of potential regulatory changes and meet rising consumer demands. This hypothesis investigates wether a proactive stance towards environmental issues will lead to more effective environmental solutions and better green performance than companies responding to external pressures.

**H3. Proactive business orientation enhances green performance.**

**Here we can add moderating variables like market dynamics (regulatory environment…).**

**Maturity:** Previous studies suggest that younger companies are more likely to engage in sustainability (Yin et al., 2022; Jerónimo et al.2020; Mukhuty et al., 2021), as they are founded in an era where environmental responsibility is critical. Although established companies have more resources to invest in sustainability, they may be slower to make changes driven more by regulatory compliance or corporate social responsibility (CSR) commitments than innovation (Broccardo & Zicari, 2020). This hypothesis tests whether age influences an organization's ecological efforts in Romania.

**H4.** **Company age does not significantly affect commitment to ecological practices.**

**Sectoral differences:** Infrastructure and services play an important role in economic, social, and political progress. Although it is a major greenhouse gas emitter, it lacks the expertise to implement green technologies (Stan, 2022). This hypothesis examines whether Romanian transport companies adopt sustainable practices behind other sectors.

**H5. Transport companies in Romania are less inclined to adopt green technologies than other sectors.**

**Financial health perceptions:** Financial performance is an important metric for any business, but its perception varies depending on objective reality or interpretation. An objective financial performance is measurable, quantifiable, and includes key metrics such as profitability, revenue growth, cash flow, and ROI. Subjective financial performance describes how managers and stakeholders interpret financial outcomes based on personal biases, expectations, and interpretations (Zhong, 2022). The purpose of this hypothesis is to compare managers' subjective assessments of their company's performance with actual financial data, to determine if strong performance is associated with higher subjective assessments.

**H6. Good financial performance correlates with positive subjective assessments of financial health.**

**We should highlight how this hypothesis is linked to the aim of the study.**

Figure 1 shows the research model of this study. The proposed model describes the relationships between financial health, innovation and proactive business practices; the Romanian companies’ specific characteristics and management perception and the ecological performance and attitudes toward sustainability.

Figure 1. Research Model

The hypotheses H1-H3 explore the various factors that may influence green performance within Romanian corporations. Through testing these hypotheses, we will be able to discover how financial health, innovation, and proactive business practices influence environmental sustainability efforts.

The hypotheses H4 and H5 study how specific characteristics of Romanian companies, such as their industry sector and age, affect their ecological performance and attitudes toward sustainability.

Hypothesis H6 examines the psychological and cognitive factors that influence how company heads perceive and assess both financial performance and sustainability efforts. By examining the correlations between subjective estimations of financial health and sustainability, the study seeks to understand whether certain biases or tendencies are consistent across different aspects of corporate performance to a deeper understanding of how internal perceptions shape the reporting and assessment of a company’s overall performance in the Romanian context.

This study proposed several direct and indirect relationships as illustrated in Table 2.

Table 2. Summary of the hypotheses

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Hypotheses development for direct relationship** | **Independent variables** | **Dependent variables** |
| **H1** | Managerial satisfaction with a company’s financial performance influences green policies adoption. | Managerial satisfaction | Green policies adoption |
| **H2** | Managers who perceive themselves as innovative are more likely to pursue green policies. | Managerial innovation | Green policies adoption |
| **H3** | Proactive business orientation enhances green performance. | Proactivity | Green policies adoption |
| **H4** | Company age does not significantly affect commitment to ecological practices. | Maturity | Green policies adoption |
| **H5** | Transport companies in Romania are less inclined to adopt green technologies than other sectors. | Sectorial difference | Green policies adoption |
| **H6** | Good financial performance correlates with positive subjective assessments of financial health. | Financial health perception | Subjective assessments of financial health |

This table show direct relationship H6 doesn’t seem to have direct relationship and we added moderators we should complete the table with indirect relationship that will include H2 and H6 and their moderate variables

**Method**

*Sample and data collection*

To examine **how managerial attitudes, company characteristics, and financial health influence environmental sustainability practices within Romanian corporations,** questionnaires were conducted with 149 CEOs and CFOs of companies in Romania. They were asked about economic health and strategy. Accordingly, companies were chosen using convenience sampling to select companies for study, which involves choosing the most readily accessible respondents based on feasibility and timeline considerations (Galloway, 2005). In addition, the authors used purposeful sampling (Black, 2009) to achieve representativeness. By employing snowball sampling (Coleman, 1958; Goodman, 1961), we were able to capture data from companies from various sectors, ages, and sizes.

Normaly, the sample size necessary for representativeness : **385 companies**. ​

The current study adopted the quantitative research method with an online survey to test the suggested model. The latest statistics for the number of companies in Romania was 1,414,809 registered companies. The selection of companies was done by judgmental sampling in order to attempt to obtain a fair representation of the population. The targeted respondents in the current study were CEOs and CFOs, as they have sufficient knowledge the economic and green performance of the company. To decide on the sample sizes, the researchers calculate the minimum sample size required.

I tried this solution to have a smaller number for the sample but it is not logical and it is obviously fake : ~~The researchers set the estimated proportion to 0,1 as 10% of Romanian companies are adopting green and the needed power as 0.95, and the sample size required was 139.~~

So maybe we have to add 236 more questionnaires or duplicate data : The researchers set the estimated proportion to 0,5 and the needed power as 0.95, and the sample size required was 385.

However, the researchers set out to collect data larger than the required number to increase the response rate. A total of 390 questionnaires were sent to respondents at Romanian companies. Out of 385 questionnaires responded are was valid for data analysis purposes. Thus, the number of valid responses of the current study met the requirement of the minimum response for adequacy of analysis.

Furthermore, the question of whether managers should be viewed as "representatives of a culture, as elements of a social class" emerges early in the research (Baribeau, 2009). We used a practice-centered approach to gather perspectives while disregarding demographic factors. In this method, we use phenomenological approaches developed by Schutz (1967) and Schön (1983), to capture managers' subjective experiences. Therefore, demographic bias will not affect their perceptions or judgments.

*Data analysis and research instrument*

Following the collection of data on the "green performance" and "financial performance" of the participating companies, we conducted a comprehensive analysis. In this study, we examined the distribution of companies across various industries, measured their employee numbers, and evaluated their ages.

**Distribution of companies by industry:** Including a broad range of sectors in the dataset allows to examine how different industries address both sustainability and financial performance. Manufacturing, food, healthcare, services, finance, and others are among the sectors analyzed. In our study, the distribution of companies by industry is charted along with the frequency of responses within each sector.

**Figure 2.** Sectorial breakdown of companies in the Database

**We should update the graphs and all interpretation, and also normalize the concepts used “companies” or “corporation” as they mean different things, adjustments should be made based on the sample.**

**Employees’ number:** It is important to consider the number of employees per company when evaluating financial and environmental performance. In contrast, smaller firms often face greater constraints when investing in sustainability initiatives. The Romanian legislation defines large companies as having over 1,000 employees, whereas medium companies have 20 to 100. We identified only two large companies and eight medium-sized companies in our dataset, with the majority classified as small enterprises, which is characteristic of the Romanian economy.

**Companies' age:** Younger companies may be more agile and innovative in their green practices, while older firms may have more established processes and history of success. The age distribution of the companies is illustrated by figure 3. The visual representation allows us to assess whether the sample consists of a balanced mix of young and established firms or if there is a predominance of companies from a certain age group.

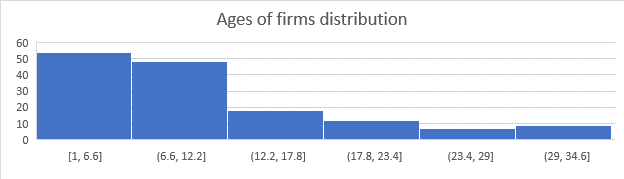


Figure 3. Age distribution of companies in the dataset

A significant number of very young firms (under 12 years old) and young companies (ages 12 to 24) are highlighted by the histogram. The distribution also includes companies between the ages of 24 and 40 and older firms. This allows for analysis of the correlation between company age and green performance and financial performance. As the Romanian market grows, the age distribution of firms approximates an exponential trend.

Shifting focus to the content validity (face validity), the current study developed the research instrument though building on the prior theoretical basis. To achieve this, a pre-testing was accomplished, and semi-structured interviews were conducted with representatives from academic institutions and practitioners (owners/managers in Romanian companies) who are acquainted with business strategy and were not included in the subsequent research. Accordingly, some slight changes were made to the research instrument on the basis of the pre-test. With the intention of increasing the clearness of the research survey, the respondents were given introductory notes that described the purposes and approaches of the research. Moreover, to ensure consistency among the measure items and to avoid confusion among the respondents, all instrument items were measured on a seven-point Likert scale and seven-point semantic differentials, with response options ranging from strongly disagree “coded as 1” to strongly agree “coded as 7.” The online questionnaire was prepared in Romanian, the native language of the participants. Further, this study used a structured research survey and followed the backtranslation (forward-backward translations) procedure suggested by Brislin (1986) to translate the research measures. Thus, this study uses PLS-SEM for measurement assessment and hypotheses testing. PLS-SEM avoids sample size issues that are small and are less strict in expectations of neutrality in subdivision and error terms (Valerie, 2012).

**Results**

Those variables should be from the hypotheses:

|  |  |  |  |
| --- | --- | --- | --- |
| Investment | Superirority | Reputation | LowCost |

I am not sure about what do they stand for but in the new hypotheses we have set: Managerial satisfaction; Managerial innovation; Proactivity; Maturity; Sectorial differences; Financial health perceptions.

Since I don’t have access to the data, my understanding of the paper may be incomplete. So, please consider these modifications as a starting point.

**Discussion**

**Conclusion**

**…**