

CORPORATE GOVERNANCE AS A STRATEGIC INSTRUMENT FOR SUSTAINABILITY IN BUSINESS: BETWEEN COMPLIANCE AND COMPETITIVE ADVANTAGE

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Abstract:

Corporate governance is becoming a key element in organizational strategies in the current economic context, characterized by the transition to sustainable business models and increasing pressure from investors and consumers for responsible practices. This paper explores the relationship between governance structures and the sustainable performance of companies, analyzing the role of boards of directors, sustainability committees, and transparency policies in promoting social and environmental responsibility. International good practices and ESG reporting models are discussed, as well as the challenges of their implementation in Romanian companies. The study highlights that effective governance is not just a condition of compliance, but a vector of competitive advantage in the future economy.

Key words: Corporate governance; sustainability; ESG integration; competitive advantage; risk management.

JEL Classification: G34, M14, M42

1. INTRODUCTION

In the current context marked by economic globalization, the transition to sustainable business models, and increasing pressure from investors and consumers for responsible practices, corporate governance is becoming an essential strategic element in companies' management architectures. Beyond ensuring compliance, corporate governance is gaining competitive value, strengthening stakeholder trust, and generating sustainable value.

Recent studies reveal that transparency, decision-making integrity, and stakeholder accountability are fundamental elements of organizational performance. Integrating ESG (environmental, social, governance) principles into business strategies is increasingly important in assessing long-term success. In this regard, corporate governance structures, such as boards of directors, sustainability committees, and internal audit and reporting policies, are decisive in guiding companies towards a sustainable economy.

With the emergence of new regulatory frameworks such as the EU Corporate Sustainability Reporting Directive (CSRD), companies are increasingly required to align governance with long-term sustainability objectives. Therefore, understanding the governance mechanisms that can support such alignment is both a theoretical and practical necessity.

This paper analyzes how corporate governance, as a strategic tool, influences the sustainable performance of enterprises. It focuses on international practices and their applicability in the context of the Romanian economy, highlighting the compliance dimension and its potential to become a competitive advantage. The research seeks to answer the question: *To what extent can corporate governance structures act as strategic drivers of sustainability performance in Romanian companies?*

This study contributes to the existing body of literature by integrating theoretical insights and empirical data drawn from companies listed on the Bucharest Stock Exchange. It offers a nuanced perspective on the real-world implications of corporate governance in an emerging market context.

2. LITERATURE REVIEW

Corporate governance has developed substantially in recent decades and is recognized as essential for ensuring transparency, efficiency, and organizational sustainability. Adam Smith's works provide the first theoretical foundations, but academic and practical interest increased significantly with the major financial crises of the 2000s, highlighting the need for robust and ethical organizational conduct (Solomon, 2008; Shleifer & Vishny, 1997).

The OECD defines Corporate governance as the relationships between management, the board of directors, shareholders, and other stakeholders, with the ultimate objective of achieving performance and increasing value in the long term (Morariu, Suci, & Stoian, 2008). Therefore, effective governance requires a well-regulated formal structure and an organizational culture based on transparency, accountability, and integrity (Boghean & Cibotariu, 2018; Arjoon, 2005).

The specialized literature reveals an increasingly clear link between corporate governance and sustainability by integrating ESG criteria in strategic decision-making (Luca et al., 2024; Mohammed & Sykes, 2012). For example, the bibliometric analysis carried out by Luca et al. (2024) on the literature indexed in the Web of Science indicates a high frequency of correlation between corporate governance, sustainability, and integrated reporting, highlighting the emergence of this field as a priority in economic research. Moreover, comparative studies highlight that while firms in developed economies tend to adopt governance as part of strategic innovation, companies in emerging markets, such as Romania, often approach it primarily as a compliance obligation (La Porta et al., 1998; Claessens & Yurtoglu, 2013). This distinction is relevant in understanding the limitations and opportunities of governance reform in post-transition economies.

Another essential aspect the literature addresses is the link between internal control mechanisms and firms' ability to manage risks sustainably. Internal audit and governance structures contribute to identifying vulnerabilities and strengthening decision-making responsibility (Nocco & Stulz, 2006; Dobrotăeanu et al., 2011). Thus, organizations are encouraged to adopt governance models beyond formalism and integrate a proactive vision of risks and responsibilities (Boghean et al., 2009). Recent contributions in the field emphasize the role of digital technologies in enhancing governance transparency and stakeholder engagement. Adopting integrated reporting platforms and AI-based audit systems supports real-time risk assessment and non-financial disclosure, enabling companies to align more effectively with ESG standards (Kiron et al., 2017).

Regarding the Romanian context, several studies highlight the difficulties in efficiently implementing corporate governance codes and their opportunities to increase the capital market's attractiveness. For example, companies listed on the Bucharest Stock Exchange in financial intermediation and insurance are subject to strict transparency requirements, which provide a valuable framework for analyzing the efficiency of corporate governance (Luca et al., 2024). Ethical dimensions of corporate governance are increasingly emphasized in literature, particularly in relation to board independence, whistleblower protection, and anti-corruption frameworks. Arjoon (2005) argues that governance without a foundation in ethical principles is structurally incomplete, regardless of regulatory compliance.

At the same time, studies on governance in specific industries, such as wood, demonstrate its importance in managing supply chains and decision sustainability. Integrating risk into management decisions is key to long-term performance and organizational resilience. In supply-chain-intensive sectors, governance mechanisms extend beyond the firm level and into supplier relationships. Sustainability-linked governance, including supplier codes of conduct and third-party ESG audits, is crucial in mitigating reputational and operational risks (Seuring & Müller, 2008).

Therefore, the specialized literature provides a solid basis for understanding the role of corporate governance in promoting sustainability and competitive advantage, emphasizing the interdependencies between ethics, responsibility, and economic performance.

3. RESEARCH METHODOLOGY

The methodological approach of this paper is based on a qualitative approach, complemented by elements of exploratory analysis, to investigate how corporate governance contributes to supporting organizational sustainability in the context of the Romanian economy. The choice of a qualitative research approach was driven by the exploratory nature of the study, which aimed to understand perceptions, attitudes, and interpretations of corporate governance practices in the context of sustainability. Such depth and nuance could not be captured adequately through purely quantitative methods. The research focuses on identifying the relationships between governance structures and non-financial performance of companies, with an emphasis on transparency, social responsibility, and the integration of ESG principles.

In the first stage, an extensive documentary analysis was carried out, based on recent specialized literature, public reports, and corporate governance codes applicable to companies listed on the Bucharest Stock Exchange (BVB). This stage allowed the establishment of the research's theoretical and conceptual framework and the formulation of working hypotheses.

Subsequently, the research focused on a case study on a sample of companies in financial intermediation and insurance, listed on the BVB. These entities were selected because they have a high degree of regulation and public exposure, which implies a high responsibility in applying governance principles. The sample included 20 companies listed on the Bucharest Stock Exchange. Within each organization, responses were gathered from individuals in governance-relevant roles, such as board members, compliance officers, sustainability specialists, and finance executives. This distribution was intended to capture diverse perspectives across managerial levels. The data were collected from the companies' annual reports (publicly available on their websites or the BVB platform) by identifying the sections dedicated to corporate governance, the structure of the boards of directors, sustainability committees, and non-financial reporting policies.

Content analysis allowed the assessment of compliance with the BVB governance code and identifying good practices or deficiencies in implementation. In parallel, the responses to a questionnaire applied to managers and executive staff from the targeted companies were analyzed to investigate the perception of the importance of governance in the strategic decision-making process, as well as the link between organizational culture and sustainability.

The questionnaire included closed and semi-open items and was structured on three dimensions: perception of governance principles, integration of sustainability into strategy, and attitude towards risk management. Each dimension included Likert-scale statements (rated from 1 to 5), designed to assess the intensity of respondents' views, and open-ended prompts to capture qualitative insights. This mixed format allowed for both statistical aggregation and interpretative depth. The results were processed through descriptive and interpretative methods to capture the dominant trends and possible divergences of approach between different categories of respondents. To ensure clarity and internal consistency, the questionnaire was pre-tested on three professionals working in corporate governance roles. Their feedback was used to refine item wording and sequencing before wider distribution.

This methodology allows for a deep understanding of the corporate governance context in Romania, beyond the regulatory framework. It reflects real practices, the challenges companies face, and the potential of governance as a strategic tool for competitiveness and sustainable development. One acknowledged limitation of the methodology is the relatively small sample size, which may restrict the generalizability of results. Nevertheless, the study's goal was analytical rather than statistical, seeking an in-depth understanding rather than broad extrapolation.

4. RESULTS AND DISCUSSIONS

The analysis of companies listed on the Bucharest Stock Exchange in the financial intermediation and insurance sectors reveals a moderate to high level of compliance with the principles of the corporate governance code, especially in terms of operational transparency, the structure of the boards of directors, and the existence of audit committees.

Table No. 1. Level of compliance with corporate governance principles among the analyzed companies

Criterion assessed	Number of compliant companies	Percentage (%)
Existence of an audit committee	13	72%
Non-financial reporting (ESG)	7	39%
Social responsibility policies	9	50%
Published governance statements	15	83%

Source: Own processing according to data collected.

Over 70% of companies have published explicit statements regarding compliance with the code's provisions. However, the practical application of ESG principles and integrated reporting remains limited to many entities. As shown in Table 1, while 83% of the companies publish governance statements, less than half report on ESG or sustainability policies. This discrepancy suggests a focus on formal disclosure rather than substantive strategic alignment with sustainability goals.

Data collected from annual reports indicate a positive correlation between well-defined governance structures (e.g., sustainability or ethics committees) and the degree of transparency of non-financial information. However, only a minority of the companies analyzed formally integrate sustainability criteria into the corporate strategy, indicating that these aspects are often treated as compliance obligations rather than strategic advantages.

The applied questionnaire highlighted heterogeneous perceptions among managers and executive staff. The diversity of perceptions among managers points to an organizational inconsistency in translating governance structures into sustainability-oriented practices. While many recognize the reputational value of governance, fewer translate it into operational decisions. Over 60% of respondents believe that corporate governance contributes to increasing stakeholder trust and reducing reputational risks, while only 37.68% state that sustainability is integrated into the organization's decision-making culture. At the same time, 49.28% of respondents recognized the role of governance in protecting the company's reputation, and 48.58% identified the direct link between good governance and achieving strategic objectives.

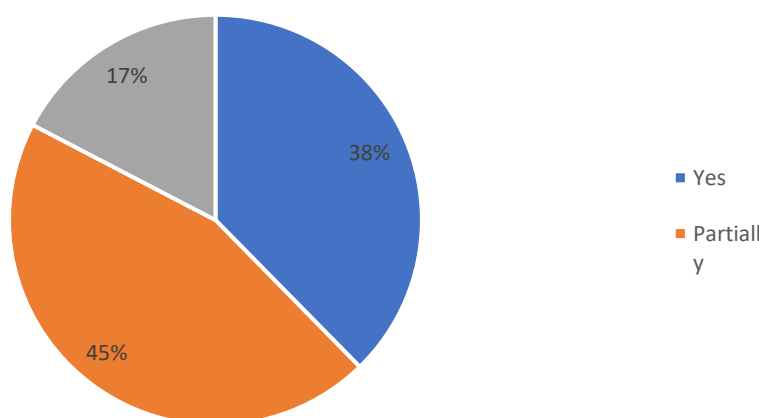


Figure No. 1. Perception of sustainability integration into corporate strategy

Source: Own processing according to data collected.

A relevant aspect is that 71.01% of the responding companies promote an organizational culture favorable to risk-taking, emphasizing preventing surprises and making informed decisions. This indicates an openness towards governance models that include integrated risk management, but the application of these principles is still in its early stages in many cases (Boghean, 2024).

Table No. 2. Perceived benefits of risk management according to company respondents

Perceived benefit	“To a large extent” response (%)
Protection of reputation	49,28%
Support for innovation	33,33%
Fewer complaints	37,68%
Increased likelihood of achieving objectives	48,58%

Source: Own processing according to data collected.

The data reveals strong recognition of governance's risk mitigation role, especially regarding reputational protection and objective achievement. However, open responses reveal concerns about the superficiality of some risk strategies, reflecting gaps between policy and practice.

The reported dysfunctions include the excessive influence of board chairmen, the lack of precise performance evaluation mechanisms, and the subordination of audit committees to executive management. These problems affect the degree of independence of internal oversight and reduce governance efficiency, especially as sustainability becomes a central criterion in assessing investment risk. These dysfunctions mirror challenges identified in prior research (Arjoon, 2005; Claessens & Yurtoglu, 2013), which highlight the risks of informal power concentration and the absence of independent performance monitoring. Despite these challenges, the results suggest a general positive trend, supported by external pressures (European regulations, expectations of institutional investors) and the internal need for strategic adaptation. International practices confirm that companies adopting an integrated approach to governance and sustainability achieve sustainable competitive advantages, strengthening financial performance and reputational capital (Luca et al., 2024; Nocco & Stulz, 2006).

In summary, the results reflect a Romanian corporate landscape in transition—where formal governance frameworks are increasingly adopted, but full integration with sustainability strategies remains limited. The findings suggest the need for deeper institutionalization of ESG values within decision-making processes, consistent with international models of integrated governance.

5. CONCLUSIONS

The empirical findings of this study confirm that while Romanian companies have made notable progress in adopting formal governance frameworks, their integration with sustainability principles remains partial. A gap persists between declarative compliance and strategic commitment, particularly in ESG integration, risk management, and stakeholder engagement. The research results highlight that corporate governance is an essential pillar for companies' sustainable development, going beyond the traditional compliance function and becoming a genuine strategic tool. In the context of current economic transformations, the increasing pressure exerted by investors, regulators, and civil society is leading companies to adopt more transparent, responsible, and long-term value-creating governance models.

In Romania, companies listed on the Bucharest Stock Exchange in financial intermediation and insurance demonstrate an increased interest in aligning with international good governance practices, especially in reporting and board structure. However, integrating ESG principles and sustainability into corporate strategy remains partial, often being treated from a formal, compliance perspective, and not as a factor generating competitive advantage.

Research confirms that effective governance, based on transparency, accountability, and stakeholder engagement, can strengthen trust among partners and support long-term performance. Moreover, combining it with effective internal audit and risk management mechanisms can significantly contribute to organizational resilience and proactive adaptation to market challenges. This research adds to the existing literature by providing context-specific insights into how governance functions in an emerging market economy. The integration of both qualitative and quantitative data offers a nuanced perspective on the extent to which governance structures support sustainable value creation.

To fully exploit corporate governance's potential to support sustainability, organizational culture must be transformed, accompanied by investments in management education, the strengthening of specialized committees, and the adoption of integrated reporting tools. Corporate governance can only become a genuine vector of competitive advantage in the future economy through a strategic, coherent, and long-term approach. In an increasingly complex and transparent global economy, corporate governance that embraces sustainability is not just a regulatory necessity—it is a strategic imperative for long-term resilience and competitive advantage.

Given the research conclusions, a series of recommendations is required to strengthen corporate governance as a strategic tool to support sustainability in the Romanian business environment:

- Companies must move from a reactive, compliance-focused approach to a proactive one, in which environmental, social, and governance principles are integrated into strategic planning and organizational performance evaluation.
- Continuous training and development of members of management bodies, especially in sustainability, ethics, and risk management, are recommended to ensure informed and balanced decisions.
- Developing and implementing a reporting system that combines financial and non-financial performance will improve stakeholder communication and increase capital market confidence.
- Promoting an internal culture that encourages accountability, active employee participation in decision-making, and adherence to ethical values is essential for long-term sustainability.
- Companies should support regulatory initiatives and actively participate in public consultations on governance and sustainability standards, thus contributing to the maturation of the institutional framework.
- Internal audit must be central to sustainability assessment and monitoring processes, supporting management in anticipating risks and continuously adapting organizational strategies.

Future research may explore longitudinal data on ESG adoption, the effectiveness of board-level sustainability committees, and cross-industry comparisons. Expanding the sample and integrating performance metrics could offer deeper insights into governance–sustainability alignment.

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