

The effects of sustainable development on firms' financial performance – an empirical approach[†]

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Abstract

This research studies firms' sustainable development in term of economic, environmental and social dimensions and their financial performance, which includes a broader coverage of stakeholder engagement of both sustainability and profitability in a structural equation model (SEM). The secondary data of 311 firms' sustainability scores are analyzed and our observations reveal that (1) the better sustainability performers may have a tendency of positive influence on firm profitability in the same and later periods, (2) a positive reciprocal causality may exist between sustainability and profitability among the better sustainability group, (3) profitability affects corporate sustainability positively in both higher and lower sustainability groups and (4) sustainability influences firm profitability negatively in the lower sustainability group. Copyright © 2008 John Wiley & Sons, Ltd and ERP Environment.

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