

WHAT DIMENSION OF CORPORATE SUSTAINABILITY (E, S OR G) PAYS MORE?

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Abstract:

As the evidence for sustainable development grows and firms are seen by many as the culprit of many of society's environmental and societal problems, it remains relevant to continue making the business case for corporate sustainability and increase its understanding by breaking down its aspects and determine with more precision what are most influential aspects. This paper aims to examine the relationship between corporate financial performance (CFP) and corporate social performance (CSP) by asking: Which dimension (E, S or G) yields the strongest relationship with CFP? Our research question is analyzed by looking at differences between industries and firm size by collecting historical and financial data over a six-year period in a comparative scenario between American firms and Western European firms classified according to Standard Industrial Classification (SIC) through the Bloomberg financial platform database. Overall, results show that in the US, the dimension of corporate governance is much robust than other dimensions, while in Europe, the environmental dimension yields stronger results than others.

Keywords: Corporate sustainability, corporate financial performance, ESG, industries, Europe, USA.