THE EFFECT OF CORPORATE SUSTAINABILITY PERFORMANCE ON THE RELATIONSHIP BETWEEN CORPORATE EFFICIENCY STRATEGY AND CORPORATE FINANCIAL PERFORMANCE

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THE EFFECT OF CORPORATE SUSTAINABILITY PERFORMANCE ON THE RELATIONSHIP BETWEEN CORPORATE EFFICIENCY STRATEGY AND CORPORATE FINANCIAL PERFORMANCE

By

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Thesis Submitted to the Dean of Othman Yeop Abdullah for Graduate Studies of Business, Universiti Utara Malaysia, In Fulfillment of the Requirement for the Degree of Doctor of Philosophy
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ABSTRACT

Past research has shown the importance of corporate sustainability performance to corporate financial performance. However, little is known about the mediating effect of corporate sustainability performance on the relationship between efficiency strategy and corporate financial performance. This study fills the gap by investigating the relationship between efficiency strategy, sustainability performance and corporate financial performance of the service and the industry sectors in Jordan. Corporate efficiency strategy is measured through two dimensions, namely socio-efficiency and eco-efficiency. Corporate sustainability performance is also measured through two dimensions, namely corporate social performance and corporate environmental performance, while the measurement of the corporate financial performance is based on ROI (return on investment), ROA (return on asset), sales growth and profit growth. The data were obtained by means of a mail survey sent directly to company managers involved in social and environmental performance. The questionnaires were sent to 232 service and industry companies listed on the Amman Stock Exchange in 2011, and 101 or 43.5 percent of them responded. The analysis used the linear and multiple regressions of analysis of the data. The study contributed to the sustainability literature by showing that sustainability performance and efficiency strategy lead to greater financial performance. Corporate sustainability performance was found to be partially mediating the relationship between efficiency strategy and the financial performance model. The findings of this study, while contributing to the body of knowledge of the importance of sustainability performance, also assist the company managers in their sustainability efforts and in applying efficiency strategy to company operations.

Keywords: efficiency strategy, sustainability performance, social performance, environmental performance, corporate financial performance
ABSTRAK


Kata kunci: strategi kecekapan, prestasi kelestarian, prestasi sosial, prestasi persekitaran, prestasi kewangan korporat,
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LIST OF ABBREVIATIONS

ASE  
Amman Stock Exchange

CFP  
Corporate Financial Performance

CEP  
Corporate environmental performance

CS  
Corporate Sustainability

CSP  
Corporate Social Performance

CSR  
Corporate Social Responsibility

EEA  
The European Environment Agency

GCEP  
The General Corporation for Environmental Protection

GRI  
Global Reporting Initiative

IAG  
Insurance Australia Group

IchemE  
The Institute of Chemical Engineers

IISD  
International Institute for Sustainable Development

JDOS  
Jordan Department of Statistics

KLD  
Kinder Lydenberg Domini

OECD  
Organization for Economic Co-operation and Development

ROA  
Return on Assets

ROI  
Return on Investment

SD  
Sustainable Development

SP  
Sustainability Performance

UNCSD  
United Nations Commission for Sustainable Development

WBCSD  
World Business Council for Sustainable Development

WRI  
World Resources Institute
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Recently, corporate sectors, environmental organizations, managers and scholars have debated the issue of corporate sustainability (Salzmann et al., 2005). As such, a number of companies attempt to gain lasting benefits and perks by establishing the foundation of corporate strategy through the application of sustainability activities (Porter, 1991; Schaltegger & Burritt, 2006; Chabowski et al., 2011; Goyal, Rahman, & Kazmi, 2013).

As the number of companies that have included sustainability as part of their corporate strategy becomes greater, an assessment of sustainability performance becomes necessary too. In the span of the twenty years, a number of researches have been carried out to establish an efficient and consistent corporate sustainability strategy and performance measurements. (Epstein & Roy, 2001; Epstein, 2008; Goyal, Rahman, & Kazmi, 2013). Therefore, carrying out a study on the impact of corporate sustainability on a firm's performance is imperative.

The World Commission on Environmental and Development (WCED) defines sustainable as “the development that meets the need for the present generation without compromising the ability for future generations to meet their needs” (WCED, 1987, p. 37). The general aspects of sustainable development according to the WCED definition
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