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DO SOCIALLY CONSCIOUS COMPANIES PROVIDE BETTER FINANCIAL PERFORMANCE ? AN EXPLORATORY STUDY

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Abstract. The 1987 report on “Our Common Future” by the World Commission on Environment and Development gave rise to the concept of sustainable development. However, the question remained as to what exactly is sustainable development? In recent years, the concept of sustainable development has gained popularity with its three focus areas of economic, social and environmental development, also known as the triple bottom line (TBL). The primary question under consideration was to consider whether socially conscious companies may be able to provide better financial performance and thus value creation opportunities than other companies. Several international studies have returned mixed answers to this question. This exploratory study laid the foundation for a project into possible relationships between social responsibility and corporate performances in a South African context. The study focussed on industrial companies listed in the JSE Top 40 Index, which were classified into one of two groups, namely those that adopted socially responsible reporting guidelines, and those who did not. Given the limitations of this constraint study, the analysis and comparison of the financial performance indicators of these two groups indicated that companies in the targeted group which adopted such reporting guidelines, returned better financial results than the comparative group which did not adopt these guidelines.

JEL Classification: M10, M14, M41

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