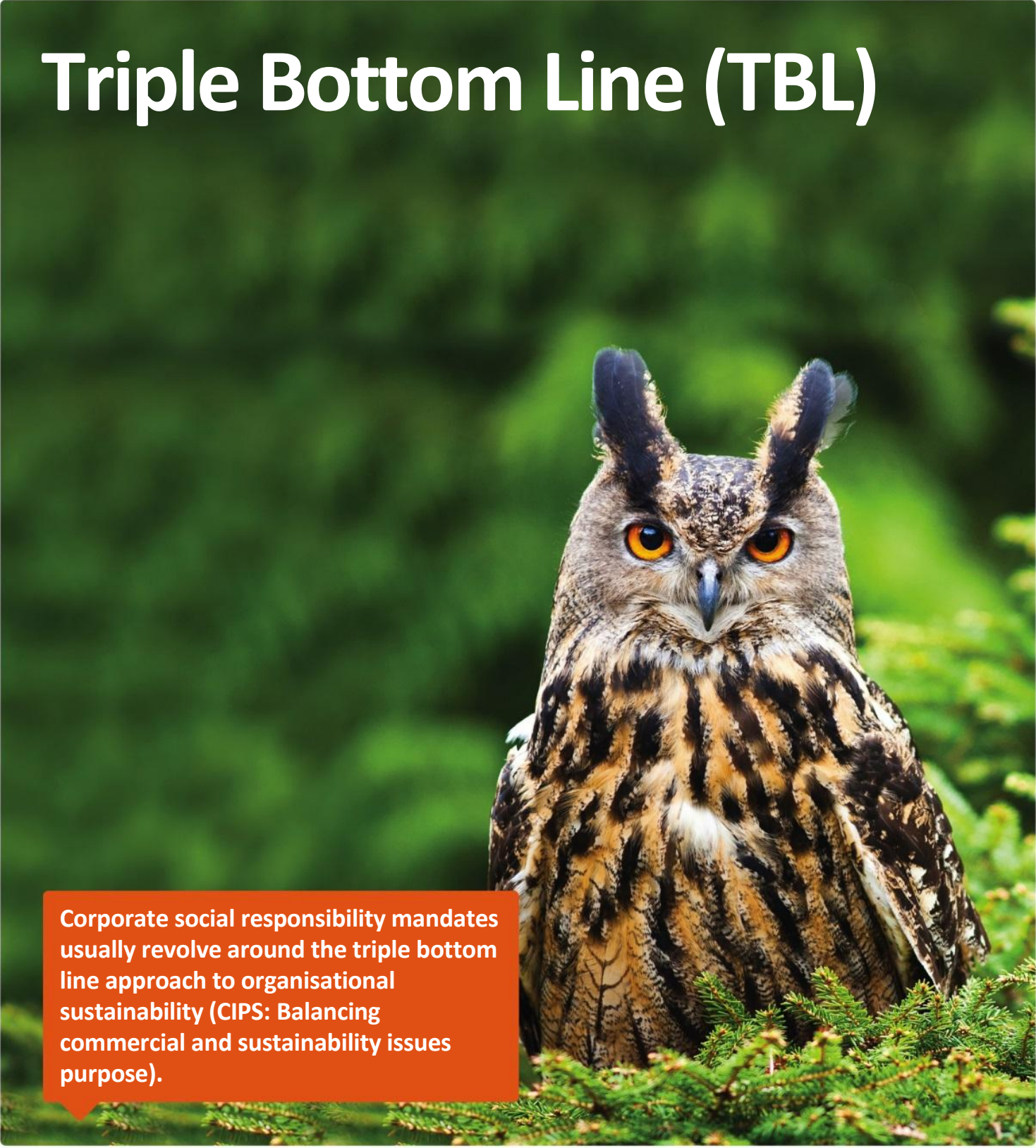


# Triple Bottom Line (TBL)



Corporate social responsibility mandates usually revolve around the triple bottom line approach to organisational sustainability (CIPS: Balancing commercial and sustainability issues purpose).



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### Introduction

Corporate leaders continue to face the challenge of running competitive and profitable organisations while meeting broad social and ethical responsibilities (Morimoto et al., 2005). These challenges are subsumed under the general banner of CSR which requires companies to integrate their social and environmental concerns in business operations and in interaction with stakeholders on a voluntary basis (European Commission, 2005).

The concept of CSR dates back to the 1950s when it focused primarily on philanthropy (Cooke, 2011). The concept was later viewed as a multidimensional concept encapsulating four kinds of responsibilities (Carroll, 1991): (1) economic responsibilities, as the foundation upon which all others rest and which suggests that a company 'be profitable'; (2) legal responsibilities: 'obey the law' (where law is society's codification of right and wrong) and play by the rules of the game; (3) ethical responsibilities: obligation to do what is right, just, and fair while avoiding harm; and (4) philanthropic responsibilities, which proclaim that a company is "a good corporate citizen" by contributing resources to the community and improving quality of life. The term and concept of 'the triple bottom line' was introduced by the British consultancy firm founder John Elkington in 1994 (Hindle, 2008).

TBL is embedded into a company's CSR and is closely related to the 3Ps. The first bottom line is the traditional measure of economic/corporate 'profitability' (profit and loss account). The second refers to the company's 'people' account and measures the level of socially responsible behaviour in an organisation. The third is the company's 'planet' account which measures the degree of a company's environmental responsibility in its current and previous practices (Hindle, 2008). The TBL is sometimes viewed as a particular manifestation of the balanced scorecard based on a fundamental principle: what you measure is what you get, because what you measure is what you are likely to pay attention to. Therefore only when companies start to measure their social and environmental impact can they claim to be socially and environmentally responsible organisations (Hindle, 2008).

### Definition

Triple bottom line (TBL) is a technique used increasingly in corporate social responsible (CSR) reporting by organisations ... and by external stakeholders and third parties to rate an organisation's performance ... [on] measures of environmental, social and economic performance ... [It] determines that businesses have positive impacts on the three P's: people, profit, and planet" (CIPS: Balancing commercial and sustainability issues purpose).

### Successful application

It is more important to measure TBL than to simply define it. At the same time there are no common TBL measurements across the 3Ps. When a profit can be measured in dollars, pounds or Euros it is difficult to ascertain a useful measurement for social capital, environmental and ecological health. For instance, to put a monetary value on environmental damage is in itself ethically and morally questionable. A potential solution is to calculate the TBL using an index. Assuming that there is a universally accepted accounting method employed, this removes the incompatible units issue and allows for comparisons between entities (Slaper and Hall, 2011).

### Steps to successful application

1. Conduct a CSR assessment: gather information about the firm's processes and outputs to evaluate the status of the firm relevant to its CSR activities, assemble a CSR team, develop a context-specific definition of CSR and cover all legal issues related to the process.
2. Develop a CSR strategy: build support with firm leaders, senior managers and employees and undertake competitive analysis of other company CSR approaches and the instruments used. Combined, this acts as an organisational roadmap and defines boundaries for what can be achieved.
3. Assemble a group of subject matter experts to help construct the TBL index. There must be transparent criteria for selecting group members so that voices from across the organisation are heard.
4. Develop CSR commitments: CSR commitments are policies or instruments for a company to develop or sign onto that indicate what the firm intends to do to address its social and environmental impacts. Align CSR commitment with business culture, objectives and goals.
5. Decide on how the TBL index components should be weighted: should each "P" get equal weighting? What about the sub-components within each "P"? Do they each get equal weighting? Is the people category more important than the planet?

*IISD (2007), Slaper and Hall (2011)*

### Hints and tips

- The CSR efforts of many companies prove counterproductive because they position business against society.
- There is pressure for companies to think of CSR in generic ways, instead of developing social initiatives appropriate to company strategy (Porter and Kramer, 2006).
- It is important to have a clear definition of CSR appropriate to the business and be clear from the outset where the boundaries of the company's CSR initiatives lie. This can make measuring the TBL more straightforward (Slaper and Hall, 2011).
- It is essential to maintain balance between the 3Ps: when TBL is synonymised with CSR the concept can give too much weight to external and environmental factors, meaning the people element (e.g. internal company employees) can be overlooked. The TBL 'balanced scorecard' metaphor can help achieve this balance (Hindle, 2008).

### Potential advantages

- Application of the TBL concept is important as it helps to increase the global supply chain visibility (Porasmaa and Ojala, 2011).
- Firms with socially responsible practices may have greater access to capital because their distinctive ethical values appeal to particular types of investors (Cooke, 2011).
- Environmentally-friendly and sustainable business practices can help reduce costs. For example, encouraging staff to print emails only when absolutely necessary, and turning off lights and equipment when feasible (Porter and Kramer, 2006).

### Potential disadvantages

- Some argue that there is nothing particularly novel about CSR and TBL: business has always had social, environmental and economic impacts, has always been concerned with stakeholders (government, customers or owners) and has always dealt with regulations (Dahlsrud, 2008).
- The 3Ps of TBL do not have a common unit of measurement (Slaper and Hall, 2011).

- The TBL does not always 'add-up'. For example, the full cost of an oil-tanker spillage is probably immeasurable in monetary terms. Similarly, it would be difficult to quantify the cost of depriving children of their freedom to learn in order to make them work when underage (Hindle, 2008).

### Performance monitoring

- Economic measures: return-on-investment (ROI), net present value (NPV), return on capital employed (ROCE), internal rate of return (IRR) (CIMA, 2005).
- People measures: average hours of training per employee, diversity recruitment statistics, performance and skills development etcetera (Slaper and Hall, 2011).
- Environmental and safety measures: safety incident rate, lost or restricted workday rate, supply chain risk factors etcetera (Slaper and Hall, 2011).

### Case studies

- DuPont, one of the world's largest chemical companies, saved over US\$2bln from energy use reductions between the early 1990s and mid 2000s, demonstrating that economic interests can serve environmental benefits (Porter and Kramer, 2006).
- The healthier line brands (e.g. Tropicana, Quaker Oats) purchased by the PepsiCo at the beginning of the 2000s became the fastest growing segment of the company's North American product portfolio. In 2005 the segment had a revenue growth of 2.5 times more than PepsiCo's transitional products and in 2004 the company's earnings per share grew 13% (Savitz and Weber, 2006).
- The Pollution Prevention Pays programme developed and implemented by 3G allows the company to annually save over US\$1bln (Savitz and Weber, 2006).

### Further Resources/Reading

#### Web

[The Triple Bottom Line: What Is It and How Does It Work?](#)

[The Open University on TBL.](#)

[European Commission on CSR.](#)

[Guardian: Predictions on sustainability in 2012](#)

[Debunking the notion of a triple bottom line](#)

#### Books

The Economist Guide to Management Ideas and Gurus ISBN 978-1846681080

The Triple Bottom Line: Does It All Add Up: Does It All Add Up? - Assessing the Sustainability of Business and CSR ISBN 978-1844070152

The Triple Bottom Line: How Today's Best-run Companies Are Achieving Economic, Social and Environmental Success - And How You Can Too ISBN 978-0787979072

International Corporate Social Responsibility 978-9041125903

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Business Ethics and Continental Philosophy ISBN 978-0521137560

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## Triple Bottom Line (TBL) - Procurement Topic

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