

# Triple bottom line



Enter the Triple Bottom Line John Lexington In 1994, the author coined the term triple bottom line. He reflects on what got him to that point, what has happened since - and where the agenda may now be headed. The late asses saw the term triple bottom line' take off. Based on the results of a survey of international experts in corporate social responsibility (CAR) and sustainable development (SD), Figure 1. 1 spotlights the growth trend over the two years from 1999 to 2001. As originator of the term, I have often been asked how it was unconvinced and born.

As far as I can remember - and memory is a notoriously fallible thing - there was no single eureka! Moment. Instead, in 1994 we had been looking for new language to express what we saw as an inevitable expansion of the environmental agenda that SustainAbility (founded in 1987) had mainly focused upon to that point. We felt that the social and economic dimensions of the agenda - which had already been flagged in sass's Borderland Report (UNUSED, 1987) - would have to be addressed in a more integrated way if real environmental progress was to be had.

Because SustainAbility mainly works, by choice, with business, we felt that the language would have to resonate with business brains. By way of background, I had already coined several other terms that had gone into the language, including 'environmental excellence' (1984) and 'green consumer' (1986). The first was targeted at business professionals in the wake of sass's best-selling management book *In Search of Excellence* (Peters and Waterman, 1982), which failed to mention the environment even once. The aim of the second was to help mobile consumers to UT pressure on business about environmental issues.

This cause was aided enormously by the runaway success of our book *The Green Consumer Guide*, which sold nearly 1 million copies in its various editions (Lexington and Hailed, 1988). Page 2 2 THE TRIPLE BOTTOM LINE: DOES IT ALL ADD UP? CAR and SD frameworks (frequency of mentions, 1997-2001) Echo-efficiency Triple bottom line Corporate social reporting 70 Greening supply chains 80 60 Virtual zero discharge/impact Ecological footprint Denationalization factors Industrial ecology 50 20 10 0 1997 Source: Environing International 1999 2001 Figure 1.

The triple bottom line takes off But back to the triple bottom line (often abbreviated to TAB). Like Paul McCarty waking up with Yesterday playing in his brain and initially believing that he was humming someone else's tune, when the three words finally came to me I was totally convinced that someone must have used them before. But an extensive search suggested otherwise. The next step was whether we should take steps to trademark or otherwise protect the language, as most mainstream consultancies would have done.

Counter-intuitively, perhaps, we decided to do exactly the reverse, ensuring that no one could protect it. We began using the term in public, with early launch platforms, including an article in the *California Management Review* on 'Win-win-win' business strategies (Lexington, 1994), *Sustainability* 1996 report *Engaging Stakeholders* and my 1997 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Lexington, 1997). In 1995, we also developed the UP formulation, 'people, planet and profits', later adopted by Shell for its first Shell Report and now widely used in The Netherlands as the ups.

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In the following sections we will look at the drivers of the TAB agenda, at the waves and naves in societal pressures on business, at the characteristics of a number of different business models, and at the emerging roles of governments. Page 3 ENTER THE TRIPLE BOTTOM LINE 3 Seven drivers In the simplest terms, the TAB agenda focuses corporations not just on the economic value that they add, but also on the environmental and social value that they add - or destroy.

With its dependence on seven closely linked revolutions (see Figure 1. 2), the sustainable capitalism transition will be one of the most complex our species has ever had to negotiate (Lexington, 1997). As we move into the third millennium, we are embarking on a global cultural revolution. Business, much more than governments or non-governmental organizations (Nooks), will be in the driving seat. Paradoxically, this will not make the transition any easier for business people. For many it will prove grueling, if not impossible.

234 56 7 Markets Values Transparency Life-cycle technology Partnerships  
Time Corporate governance Old Paradigm Compliance Hard Closed Product  
Subversion Wider Exclusive New Paradigm Competition Soft Open Function  
Symbiosis Longer Inclusive

Figure 1. 2 Seven sustainability revolutions

Markets Revolution 1 will be driven by competition, largely through markets. For the foreseeable future, business will operate in markets that are more open to competition, both domestic and international, than at any other time in living memory. The resulting economic earthquakes will transform our world.

When an earthquake hits a city built on sandy or wet soils, the ground can become theocratic': in effect, it turns to jelly. Entire buildings can disappear

into the resulting quicksand. In the emerging world order, entire markets will also go theocratic, swallowing entire companies, even industries. Learning to spot the market conditions and factors that can trigger this process will be a key to future business survival, let alone success. In this extraordinary environment, growing numbers of companies are already finding themselves challenged by customers and the financial markets about aspects of their TAB commitments and performance.

Furthermore, although we will undoubtedly see continuing cycles based on wider economic, social and political trends, this pressure can only grow over the long term. As a result, business will shift to a new approach, using TAB thinking and accounting to build the business case for action and investment. Page 4 4 THE TRIPLE BOTTOM LINE: DOES IT ALL ADD UP?

Values Revolution 2 is driven by the worldwide shift in human and societal values. Most business people, indeed most people, take values as a given, if they think about them at all. Yet, our values are the product of the most powerful programming that each of us has ever been exposed to.

When they change, as they seem to do with every succeeding generation, entire societies can go theocratic. Companies that have felt themselves standing on solid ground for decades suddenly find that the world as they knew it is being turned upside down and inside out. Remember Mrs. Aquinas peaceful revolution in the Philippines? Or the extraordinary changes in Eastern Europe in 1989? Recall the experiences of Shell during the Brent Spar and Nigerian controversies, with the giant oil company later announcing that it would, in future, consult Nooks on such issues as environment and human rights before deciding on development options?

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Think, too, of Texaco. The US oil company paid IIS\$176 million in an out-officer settlement in the hope that it would bury the controversy about its or record in integrating ethnic minorities. Now, with the dawn of the 21st century, we have a new roll-call of companies that have crashed and burned because of values-based crises, among them Enron and Arthur Andersen. Transparency Revolution 3 is well under way, is being fuelled by growing international transparency and will accelerate.

As a result, business will find its thinking, priorities, commitments and activities under increasingly intense scrutiny worldwide. Some forms of disclosure will be voluntary, but others will evolve with little direct involvement from most companies. In many respects, the transparency revolution is now 'out of control'. Even China is being forced to open up by such factors as the global SARA epidemic that it helped to spawn. This opening up process is itself being driven by the coming together of new value systems and radically different information technologies, from satellite television to the internet.

The collapse of many forms of traditional authority also meaner that a wide range of different stakeholders increasingly demand information on what business is going and planning to do. Increasingly, too, they are using that information to compare, encroach and rank the performance of competing companies. The 2001 inauguration of the Global Reporting Initiative (GRIM), built on TAB foundations, is one of the most powerful symbols of this trend. Life-cycle technology Revolution 4 is driven by and - in turn - is driving the transparency revolution.

Companies are being challenged about the TAB implications either of industrial Page 5 ENTER THE TRIPLE BOTTOM LINE 5 or agricultural activities far back down the supply chain or about the implications of their products in transit, in use and - increasingly - after their useful life has ended. Here we are seeing a shift from companies focusing on the acceptability of their products at the point of sale to a new emphasis on their performance from cradle to grave - that is, from the extraction of raw materials right through to recycling or disposal.

Managing the life cycles of technologies and products as different as batteries, Jumbo Jets and offshore oil rigs will be a key emerging focus of 21st-century business. Nikkei has been the 'poster child' for campaigners in this area; but we will see many other companies fall victim as the spotlight plays back and forth along their supply chains. Partners Revolution 5 will dramatically accelerate the rate at which new forms of partnership spring up between companies, and between companies and other organizations - including some leading campaigning groups.

Organizations that once saw themselves as sworn enemies will increasingly flirt with and propose new forms of relationship to opponents who are seen to hold some of the keys to success in the new order. As even groups such as Greenback have geared up for this new approach, we have seen a further acceleration of the trends that drive the third and fourth sustainability revolutions. None of this means that we will see an end to ruction and, on occasion, outright conflict.

Instead, campaigning groups will need to work out ways of simultaneously challenging and working with the same industry - or even the same company. Time is short, we are told. Time is money. But, driven by the sustainability agenda, Revolution 6 will promote a profound shift in the way that we understand and manage time. As the latest news erupts through CNN and other channels within seconds of the relevant events happening on the other side of the world, and as more than US\$1 trillion sluices around the world every working day, so business finds that current time is becoming ever 'Wider'.

This involves the opening out of the time dimension, with more and more happening every minute of every day. Quarterly - and even online - reporting requirements are key drivers towards this wide-time world. By contrast, the sustainability agenda is pushing us in the other direction - towards 'long time'. Given that most politicians and business leaders find it hard to think even two or three years ahead, the scale of the challenge is indicated by the fact that the emerging agenda requires thinking across decades, generations and, in some instances, centuries.