

Triple bottom line reporting on corporate sustainability



In this paper we explore the concept of triple bottom line reporting and its use in gauging the level of corporate sustainability. The concept of triple bottom line reporting is shown to be effective in ensuring that the corporate sustainability concerns are addressed and business takes account of the outcomes. This is done using a review of relevant literature in order to point out the success factors as well as the threats that face TBL reporting programs.

Introduction

The contemporary corporate environment and culture has been steadily leaning towards the increasing need of higher levels of transparency and accountability in regard to public reporting as well as communication. This is a trend that demands for increased disclosure of the nature and level of corporate performance and engagements in matters of social-economic and environmental dimensions (G100 2003). In a nutshell, the public is in need of information regarding the level of sustainability in which various corporations engage in. In order to gauge the level of sustainability, it is important that a standard of reporting be adopted. Triple Bottom Line reporting is one of the techniques of reporting sustainability.

The definition of TBL reporting

A standard definition of triple bottom line reporting does not exist. This therefore means that no universally accepted definition exists. It can loosely be defined as the a form of corporate communication which engages stakeholders and holds the key to the corporation's accepted approach to the management of social, economic and environmental dimensions via

clearly instituted communication channel that provides information on the above mentioned three dimensions (G100 2003). The elements of social, economic and finally the environmental dimensions in an organization are what constitutes sustainability/sustainable development. TBL can therefore basically be used to refer to the official publication of social, economic and environmental information of a given business entity in a manner that is integrated to reflect both the activities as well as the results of a corporation's performance on the basis of the three dimensions.

The factors driving the general trend towards the adoption of TBL reporting

There are quite a number of factors that are driving corporation towards the adoption of TBL reporting. Some of these factors are; mandatory requirements, the need to be consistent with the high level of public vigilance on the corporate code of behavior, and the increase in the level of stakeholder requirement for high level of transparency as well as results.

The idea of " Triple Bottom Line" (TBL) reporting has in the previous year's become progressively more stylish in organizations; consulting firms, investment firms, and also the NGOs extensively employ it in the management of their operations. The thought lies behind the TBL model is that a firm's final can be gauged not merely by the customary financial end result, but again by its social, moral as well as ecological performance. For quite a long time, the majority individuals who are both in the corporate world and outside have come to an agreement that organizations are required by the stakeholders to perform their tasks responsibly. Firms are not capable of flourishing in the long run when they constantly ignore the <https://assignbuster.com/triple-bottom-line-reporting-on-corporate-sustainability/>

interests of the main stakeholders. The evident uniqueness of TBL is lying in the contention of its supporters that the general accomplishment of responsibilities to the society, workers, clients, and suppliers ought to be calculated, reviewed and the information provided to the stakeholders the same way that the financial results of public corporations is being conducted. If we strongly believe that moral practices of the business and also social responsibility are significant purposes of corporate authority and administration, then we ought to accept the efforts to come up with tools that are capable of making much clearer to the administrators, shareholders besides the other stakeholders how well a corporation is performing in this regard. This paper looks at the usefulness of TBL, the advantages of socially responsible practices by the businesses, and the probable effectiveness of tools that are capable of being used to assess and report on performance.

Triple bottom line reporting is making firms liable for not only economic and social effects but also for environmental results of doing businesses. Indeed it is an accepted accounting form for the nonprofit organizations and also the governmental organizations to demonstrate their dedication to corporate social responsibilities. To these firms, both the ecological and also social performance also significant the way financial performance is important.

The concept of triple bottom line reporting was originally applied by John Elkington in the year 1995. He published a book concerning this topic in the year 1998. The book was entitled “Cannibals with Forks: the Triple Bottom Line of 21st Century Business.” Indeed, Triple bottom line reporting has got drive in all sectors and industries and not for the not for profit making

organizations and also for government organizations as it has been presumed.

As stated above, the term 'triple bottom line' was supposedly invented by John Elkington in the year 1995 (Sarre & Treuren 2001) despite the fact that it was not made popular until the book that he published became widespread in the year 1997.

The Triple Bottom Line (TBL) is an idea that has got authorized imprimatur as a structure to give confidence to the organizational concerns regarding sustainability. Despite the fact that at first it was viewed as a mere idea or a method of thinking about sustainability, similar to the notion of corporate social responsibility, it has now become a device for both accounting and reporting. Other authors are arguing that Triple Bottom Line is essentially imperfect in the things it is offering, and besides, they are saying it is transmitted by proponents who are mainly uninformed of the other approaches that are in existence.

The Function of Triple bottom line reporting

Triple bottom line reporting needs the corporations to socially be responsible to both the shareholders and also to every stakeholder of the respective firms. Stakeholders usually entail all the shareholders, workers, clients, goods and services providers and any other person who is influenced by the events and proceedings of the business. It is demanding that a firm be liable for all the aspects of the business.

The Benefits of Triple bottom line reporting

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The social feature of triple bottom line reporting is focusing on reasonable treatment of a firm's human resources. In addition to the provision of a safe place of work and also reasonable salary for workers, being responsible socially involve performing responsible and helpful business practices in the community that surrounds the business. Triple bottom line reporting is requiring a corporation to be involved in sustainable ecological activities. Corporations and firms ought to put great efforts to conserve the surroundings, or to significantly minimize the harm that they are inflicting on to the surroundings. A corporation using triple bottom line reporting is capable of managing the utilization of energy, minimizes waste, recycles resources and also shuns the production of very dangerous substances like chemicals and weapons.

The Significance of Triple bottom line reporting

When a business appears to be both socially and environmentally responsible to its clients, it will be capable of maximizing the profits that it is making. It is very common situation to see many companies making headlines because of being involved in accounting scandals, giving their workers very unjust salaries, unsafe work conditions and prejudice. All these reports are affecting the reputation of the firms that are involved besides their goodwill, thereby resulting into the loss of many revenues. Also, focusing on more things just profits can help a company open market potential that was unattainable before. Companies may also lose market share to other competing businesses that are utilizing triple bottom line reporting because they appear more socially responsible to consumers.

TBL is capable of making a firm to reach the untapped market. Indeed TBL firms are capable of finding niches that are financially profitable, and which were previously missed by the firms when their driving force was money only.

TBL is capable of developing highly profitable ways to aid the NGOs that are in existence with their missions like fundraisings, getting to the customers, or generating networking opportunities with other numerous NGOs. It is also capable of providing goods and services which will be of great use to the populations that are languishing in poverty.

It is capable of making businesses to become familiar with new business ventures. Due to the fact that numerous business opportunities are coming up in the sphere of social entrepreneurship, the businesses that are having hopes of reaching this growing market have to prepare themselves of being profitable financially, socially helpful and economically sustainable or else they will not be able to compete with the firms which are not designing themselves that way. For instance, just trade and ethical Trade firms need moral and sustainable practices from every supplier providing them with goods and services. Any businesses that are having plans of working with the firms that are dealing in just Trade or moral Trade have to design the models of their business to become TBL.

Firms usually issue TBL reports mainly for two purposes: to meet the demands of the investors and also to be recognized for the actions that the firms do. For instance, firms like Shell and Nike have in the past applied this kind of reporting to enable them restore the reputations of their firms after

having received negative exposure for inefficient ecological and social decisions Tschopp (2003)

Firms are usually being scrutinized both by the media coverage and public watchdog groups. It is an undeniable fact that the individuals who are capable of ensuring that their firms have good reputations in environmental conservation and social policies will have to succeed. Those ignoring responsibilities as such will probably fail Tschopp (2003)

Firms are also capable of getting financial advantages from TBL reporting. The firms will be able to get attention from the new investors. Similarly, they will trap new employees as they maintain their current workers. TBL reporting permits transparency of a firm's environmental and social undertakings, limitations, and goals of the years to come. Firms that are striving for success are capable of meeting eligibility standards and they can be members of some environmental and social funds. When the firms fail to achieve the requirements, their stock performance can be hindered (Tschopp 2003). Triple bottom reporting has been shown to have several benefits. The first on is that it improves the reputation of an organization. It also has a positive influence on the brand name of the firm as well as its products. The reputation of a corporation is a function of the manner in which it is perceived by the stakeholders. Having an effective method of communicating with the stakeholders on the social, economic and environmental dimensions can act very well in changing the perceptions of the stakeholders and in the process improving the reputation of the corporation. The other benefits of TBL reporting are that it aids the corporation to openly operate in the society. In this context, it acts as a sort

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of a license to enable the business to operate freely by the virtue of the support, acceptance and acknowledgement that it receives from the stakeholders. The transparency in communication and accountability in actions are what makes it possible for the corporations to be granted the 'license' to operate. The rest are outlined below

Through the integration of sustainability into the business models and thinking, firms are capable of realizing these seven bottom line benefits:

It will be very easy to hire the best employees. Researchers are estimating that the highly significant corporate resource after 20 years for any organization is usually talented workers. Majority of them usually pay great concentration to corporate social responsibilities and also to the environmental behavior of the firms for which they are working. TBL results into greater withholding of the top talents. It is very challenging for firms to keep their most talented and most skilled workers in the present market that is characterized by a lot of competition. Studies are however showing that the skilled workers usually tend to continue staying with a firm when they are having meaningful work. TBL is also capable of maximizing the productivity of the workers. There is a big connection that exists between important job and productivity. The managers of organizations should involve the whole firm in sustainable growth goals such as zero emissions, independent energy production, and no disposal of waste and helping in the conservation of environment, the firm will get much more back from the workers.

Enhancement of reputation and brand

Efficient communication with the shareholders and also the stakeholders on one or more dimensions of TBL is capable of playing a significant role in the management of the perceptions of the stakeholders. This will not only protect but also enhance the corporate reputation of the firms.

Securing a social license to operate

Having a good reputation, the members of the community and the stakeholders will strongly support the operations of the organization. The surrounding communities will probably provide more support to the firms because they are communicating openly and besides, they are honest about the performance of the firms in relation to environment factors, social factors and also to economic factors.

Attraction and retention of high caliber employees

Through the publication of the information regarding TBL, the information is capable of playing a significant role in positioning the employer as the employer to work with. This is capable of enhancing worker loyalty, reducing turnover and also capable of attracting skilled workers.

Reduced risk profile

During TBL's reporting, firms usually indicate their obligation to minimize risk. This usually takes place during the times of growing legal action, where owed diligence is capable of being established and a firm comes up with risks, the risks can be managed better. Consecutively this is capable of advancing the relations of the stakeholder and hence makes it simpler to

draw investment capital and consequently positively influence the price of the shares.

Identification of potential cost savings

TBL reporting is involving the assortment and scrutiny of information on resource, the usage of materials and the evaluation of business processes. This is capable of actually helping the firms to identify the opportunities that are present for savings of costs through effective and efficient allocation of both resources and materials. TBL is accompanied by minimized expenses at the commercial sites . numerous unnecessary waste usually happen at the non-manufacturing areas. Through the employment of more sensible handling of wastes, effectiveness of energy, conservation of water and naturalized landscaping (Ann 2003)

Reduced risk, easier financing

Firms that are showing both the environmental and social responsibility always is likely to be seen as less dangerous. That is capable of translating into the avoidance of cost, minimized insurance premiums, minimized official and regulatory costs, and evasion of missing revenue from customer crusader actions (Ann 2003).

The desirable qualities of a TBL report.

A good TBL report has the following qualities and characteristics.

Reliable- a good TBL report should be accurate and should provide information that is true regarding the activities as well as performance of a given corporation. The report should be useful meaning that the information

contained should have a high level of relevance to the stakeholders (both internal and external) the information should be relevant to the corporate decision making process. The TBL report should exercise and exhibit full disclosure meaning that the content should have open explanations. The report should be reproducible in order to allow for the ongoing publishing of the information contained for the purpose of reporting in the future. The report should have a high level of auditability. This means that the report should be having the quality of being able to be verified externally (G100 2003).

The challenges that affect the use of TBL reporting

Angela Lewis Consulting (n. d) pointed out that the two main problems facing the use of TBL reporting are that it lacks a universal method of gauging/measuring its success. The implication of this is that there is no social, economic, environmental or ethical equivalents of assets, liabilities, equity, expenses and revenue. The other one is that there is no numerical method of accurately describing consumer, environmental or community benefits. Rafiq (2010) pointed out that the other challenges to TLB reporting are informal corporate culture, lack of understanding by the top management, lack of human resources capacity, Lack of support from the government and other development agencies, resistance by privately listed firms to reveal their financial information, resource constraints that affect SMEs and a general lack of public service orientation.

Conclusion

Despite the challenges affecting TBL reporting, extant literature reveal that it is indeed a success since it has its benefits outweighing the challenges. It is therefore crucial that all firms embrace TBL reporting since it pays to be social responsible.

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