

Triple bottom line (tbl) concept analysis



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In this assignment, the notion of “ Triple Bottom Line” (TBL) reporting is being analysed critically. The definition of the term, created by John Elkington, as well as its concept and general principles (social, environment and economic lines) are discussed in this report. Representations of TBL in the Business and Government Organisations sectors are further explored with its five different interpretations: ‘ Wait and see’, ‘ Packaging information for ‘ community right to know’, stakeholder alignment, endorsing core principles, and holistic cultural perspective. The relationship between sustainable development and TBL is discussed in the report by considering the environmental sustainability, economic sustainability and social sustainability, with a backing example of the TBL Toolkit and the ‘ The Capital Works Sustainability Statement’ practiced in the city of Melbourne. The application of TBL in sustainable construction and its indicators of social and environmental, and economic performance used in the construction sector are also discussed in the report. Lastly, a case study has been done on ‘ Enviro-Cottage’ constructed in Spring Hill, Brisbane. The project has addressed TBL reporting considering the sustainable development and construction aspects.

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Introduction

Triple bottom line (TBL) reporting is becoming more common across many sectors of society. Although the concept was born out of the corporate and business world to report corporate social responsibility conveniently, it has been embraced by many organisations to give social and environmental agendas more prominence in the face of corporatist globalisation (Price, R n. d.).

The term “ Triple Bottom Line” was formed by John Elkington in 1997. Based in UK as a consultant to companies like BO, DuPont and the World Bank, John Elkington has been described by Business Week as “ a dean of the corporate responsibility movement for three decades” (‘ John Elkington’ 2010). Instead of the usual financial bottom line, Elkington define and expanded the baseline for measuring performance using social, environmental and economic bottom lines (Centre for ISA Information Sheet 7 n. d.). Elkington stated on his book, *Cannibals with Forks* that:

The triple bottom line focuses corporations not just on the economic value they add, but also on the environmental and social value they add – and destroy. At its narrowest, the term ‘ triple bottom line’ is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters (Elkington,, J 1998).

Generally, Triple bottom line is an integrated management approach that consists of managing, measuring and publicly reporting performance in business and government sectors (Potts, T 2004). TBL also acts as a medium

to discuss issues regarding the organisation and the community. According to A Tool For Measuring, Communicating, And Facilitating Change In Local Governments by Tavis Potts, TBL is a correspondence and process for reporting on sustainability and the results allow for communities to engage in an ongoing discussion. For sustainable organisations this means balancing the needs of the organisation against the environmental, economic and social factors, as depicted in Figure 1 to enhance the quality of life.

Business Sector

In the business sector, the growing tension between increased social values and conventional forms of value creation has forced consideration of sustainability (including TBL reporting). Pressure has been applied on organisations to be more socially and environmentally responsible in their pursuit of profit (Beilin, R Paine, M, Pryor R 2007). As an example, BP Australia reported that a TBL approach to business provides them with “ a sustainable competitive advantage” and it is also in a good business sense to do so. It demonstrates to stakeholders the integrity of a business or industry, thus it improves its reputation, increases investor confidence and enhances marketing and profit opportunities.

Governments Sector

Similarly to businesses, local governments have adopted the TBL in response to community concern about issues of environmental sustainability. In the governments sector, the field of organisational accountability has broadened. Government organisations must now consider the wider impacts of their practices on other local, regional, national and even global stakeholders (Beilin, R Paine, M, Pryor R 2007).

Growing government interest in corporate social and environmental responsibility is expressed in policy at local, State and Federal levels. TBL reporting has changed the appearance of the role of government in regulating private businesses and industries. Further, TBL has come to demonstrate good public relations in government organisations with its integrated focus on social, environmental and economic outcomes of practice.

Principles of Triple Bottom Line

The three vital aspects of corporate and government performance are based on Triple Bottom Line are the economic, social and environmental lines. TBL is also interpreted in 5 ways in business and governments sectors.

The Economic Bottom Line

The economic bottom line is the organisation's record of economic performance (revenue and profit) and integrity. Even though the companies make profits in the business, profit is treated as the economic benefit for the enjoyment of the employees and community as a whole within a sustainability framework.

The Social or People Bottom Line

The social bottom line is the organisation's record of social or people performance as it affects employees, consumers, and communities. This also refers to fair, ethical, and beneficial business practices toward employees, community, and country in which a corporation performs its business.

The Environmental Bottom Line

The environmental bottom line is the organisation's record of performance as it considers all the issues related with environmental concerns. The goal of 21st century companies is not only to help protect the environment by producing 'green' or environmentally responsible products but also to have their own sustainable, environmentally-sound business operating practices. Organisations are expected to function in an environmentally responsible approach, through initiatives such as taking steps to reduce their own environmental footprint, consuming less energy and little or no non-renewable resources and producing less waste.

Five interpretation of TBL

Five broad categories capture the current diverse state of TBL performance measurement and reporting in Australia according to Triple Bottom Line Measurement and Reporting In Australia. The five categories are more to show the diverse business rationales and analysis of community expectations for triple bottom line measuring and reporting (Suggett, D, Goodsir, B 2002).

'Wait and see'

'Wait and see' is the category where organisations are satisfied with their present approaches to communication and accountability. Examples of such companies are Fosters and Woolworths. This may be due to the fact that a change is not necessary in their business priorities, as well as a sense of potential benefit as it is still early in their business to use the TBL approach without understanding the directions of the business.

‘ Packaging information for ‘ community right to know’

By observing ‘ the community right to know’ attitude and supporting the notion of greater responsibility to the community for their business performance, other organisations make an obligation to their stakeholders to be open and transparent. To meet this commitment, they collect and ‘ package’ internal information or report for external audience. This report shows the values they seek to meet, their performance against those standards and a description of their activities.

Examples of companies practising this approach of TBL in environmental reporting are Wesfarmers and Orica. As they continue to collect data, report on and verify approaches, those organisations do not see that a change in approach is required to embrace social or economic scopes.

Stakeholder Alignment

This approach analyses the relationship between stakeholders’ expectations and corporate strategy. In order for TBL reporting to derive maximum value, it is necessary that the information reported aligns with business strategy and objectives and accurately reflects the focus of the company activity. This serves to strengthen the significance of companies developing indicators in a structured way that reflects their objectives and the requirements of key stakeholder groups. As the stakeholders could be the shareholders, investors, employees, customers, suppliers, the community and government, organisations practicing this approach will be required to set up new management systems and in a long run is intensive on the business resource. One example is the WMC. WMC continues to expand in this

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direction and a number of other companies have embarked on the first steps, such as Westpac and ANZ.

Endorsing Core Principles

A few organisations outline their response to stakeholder expectations into values that guide their business activity: sustainability principles. Examples of organisations are Rio Tinto and Shell. This approach is directed at integrating these core principles into management practices.

Holistic Cultural Perspective

Organisations in private ownership define their business purpose and their commitment to sustainability values and accountability as a whole. Their business success depends on this cultural perspective. The Body Shop is the often-quoted example and the Co-operative Bank in the United Kingdom.

Sustainable Development

Sustainability is a pattern of resource use that aims to simultaneously meet human needs and preserve the environment so that these needs can be met not only for the present generation, but also for future generations.

Sustainable development ties together the concern for the carrying capacity of natural systems with the social challenges (Sustainable construction gives a competitive edge n. d). Conceptually, sustainable development can be broken down into three constituent parts:

- Environmental sustainability
- Economic sustainability
- Social sustainability

Sustainable development is often portrayed as the act of balancing economic, ecological and social concerns, and the TBL is commonly used internationally to prove corporate performance on sustainability and its approach to sustainable development in the corporate world. However, in sustainable development, TBL also concentrates on the external structure of development and excludes the internal structure of development. In other words, TBL also focuses on technological, economic and institutional development while excluding cultural and personal development (Riedy, C 2003).

As an example, the City of Melbourne is using TBL approach to accomplish the goal of sustainable development. The city has developed a TBL Toolkit which includes checklists, guidelines, templates and case studies for the application of TBL decision-making and reporting (Triple-Bottom-Line Evaluation Approach Shows Promise for Local Government 2004). Part of this tool is the 'The Capital Works Sustainability Statement' and it is a rating system that recognizes the degree to which a project contributes to the Council's sustainability objectives. The Capital Works tool is being applied to different ways, such as the bidding of capital works, budget approval process, and evaluating criteria against of capital works.

Through this TBL approach, councils are able to demonstrate responsibility and transparency in decision making and administration. Moreover, TBL approach in the public sector including local government has helped to develop global standards and procedures in reporting decisions at all levels (Triple-Bottom-Line Evaluation Approach Shows Promise for Local Government 2004).

Application of TBL in Sustainable Construction

Construction activities worldwide consume 40 per cent of all raw material exploited globally (Sustainable construction gives a competitive edge n. d.). For this reason, the use of sustainable building materials can help improve the global environment significantly. The public demand for sustainable solutions is growing, and in the years to come, contractors who are able to document sustainable methods will have a strong presence in the market. In order to make construction sustainable, one has to practise TBL in order to consider the environmental impacts of extraction, transportation, processing, fabrication, installation, reuse, recycling, and disposal of these materials.

It is easy to understand why TBL has received acceptance in sustainable construction. Indicators of social and environmental performance are used to diversify work and practices of construction sector. TBL allows organisations to assess quantitatively and qualitatively how they are achieving their key performance indicators (Triple Bottom Line: A Ticket to the Game Or The Emperor's New Clothes? 2005).

TBL has been applied to the construction sector in the UK where the phrase 'Sustainable Construction' has been coined. The UK Government is seeking to apply sustainable development practices to the construction industry.

Leading construction companies in the UK, USA and Europe now report annually on social and environmental performance as well as financial performance. Jim Lammie, director of Parsons Brinckerhoff in a speech on sustainability of 8 September 2004 said that over 77% of construction companies in the UK had a sustainable development policy to deal with regulation, competitive edge, client policy, enhanced reputation, legal risks

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and future investments as well as addressing ethical obligations. Lessons from the construction industry overseas have a place for Australian construction companies who want to outperform their counter-parts in a society becoming increasingly aware of such issues. Implementing daily practices to elicit performance under TBL can be as simple as adopting recycling programs, giving to the workforce through university sponsorship programs and adopting 'best practice' voluntary standards. When a full assessment of practices are made construction players may find that they are already carrying out sustainable practices but are not reaping the reward through reporting their practices to stakeholders. Truly sustainable construction practices may mean assessing projects and work practices with TBL in mind (Triple Bottom Line: A Ticket to The Game Or The Emperor's New Clothes? 2005). The triple bottom line concept of sustainable construction could be achieved through the application of sustainable design principles at early stages of planning and construction. By making these decisions earlier, it creates a building which is safer, secure, flexible, comfortable, environmentally-friendly and cost-efficient in the long-run. A sustainable construction project should be designed and constructed to take account of the principles of sustainable design which is to balance the social, environmental and economic aspects (Sustainable Homes Triple bottom line 2008).

The 'triple bottom line' approach to sustainable construction is a balanced integration of design factors that consists of social, environmental and economic sustainability.

Social

Sustainable buildings are 'designed for the people' considering access, safety, security; it is a design that considers the clients future needs throughout various stages of lives, such as young families, older residents or residents with varying disabilities. Sustainably constructed buildings are safe, easily adaptable to suit a diverse range of needs and comfortable for people with varying abilities at different stages of their lives. This is especially relevant considering the elderly amongst our ageing population (Sustainable Homes Triple bottom line 2008). Socially sustainable construction can also strengthen social networks and allow people of every age and ability to participate in their community throughout their life. An aesthetically pleasing and stimulating built environment will reinforce the sense of well being of residents and people in the local community of the building. Under the social aspect of TBL reporting, the local society and streetscape should also be considered in order to ensure considerate development, enhancement of the streetscape and the community function (Triple bottom line in housing n. d.).

Environmental

Sustainable construction are resource-efficient by incorporating sustainable and efficient management of water, energy and waste with other features such as passive solar design by considering the orientation, ventilation, insulation, shading and building materials (Sustainable Homes Triple bottom line 2008). Resource efficiency is also related to water efficiency in the building, waste management of materials used during construction, and energy efficiency by practising good passive design and high star-rated green technology appliances and lights. It is also associated with the <https://assignbuster.com/triple-bottom-line-tbl-concept-analysis/>

reduced usage of greenhouse gas emissions from energy consumption. Local market for materials should be considered as well (Triple bottom line in housing n. d.). Besides that, resource efficiency also means lifestyle benefits for residents of the buildings as the thermal comfort is improved (social sustainability) and affordable running costs for the home (economic sustainability).

Economic

Economic sustainability of TBL reporting means designs and construction which are more cost-efficient in a long-run, considering the selection of low maintenance materials. Extra expense during construction should be provided for longer term operating cost savings as it is important to obtain the choices of design and material right the first time as it eliminates the need to make additional costly changes to the construction later. Besides that, installation of solar panels or water tanks will also increase the value of the property (Triple bottom line in housing n. d.). During the selection of building material, suppliers should consider the materials from local market. It is to optimise costs through reduced transportation expenses to the site (Sustainable Homes Triple bottom line 2008).

Sustainable construction could become cost-efficiently over time by improving the design and construction features and the use of low-maintenance materials. Usage of appliances with high energy-star ratings that reduce the ongoing costs of running the home should be encouraged. By practicing sustainable construction, energy and water bills are lowered and potential future modification costs are greatly reduced, thus making the home more adaptable and flexible over its life cycle.

Case study: Enviro-Cottage

‘ Enviro-Cottage’ is constructed in Spring Hill, Brisbane. It was built as a worker’s cottage in the late 1800’s. During 2008, the houses were transformed from a traditional Brisbane cottage into a sustainable development for inner-city living.

“ Enviro-Cottage” as shown in Figure 2 is not a new, purpose-built house unlike other display homes. It is a renovation project that highlights the simple, technological and the necessary construction methods to help make a home more efficient by using less electricity, water and other resources, while improving how people live in the available space. Some of the ideas are very simple and easy to apply in any home renovation or construction projects to reduce its environmental footprint. Examples of sustainable construction methods used are ‘ passive design’, ‘ thermal mass’ and ‘ solar orientation’ (Enviro-Cottage n. d.). Other revolutionary sustainable ideas are the installation of solar cell technology, water tank and grey water systems, glass technology, kitchen and laundry appliances, taps and showers, insulation, flooring, paints and other finishes, heating and cooling systems, and energy efficient lighting.

The Spring Hill “ Enviro-Cottage” Project has addressed the TBL reporting (Triple bottom line in housing n. d). Examples of the “ Enviro-Cottage” TBL report considerations included in the sustainable development and construction according to Our Brisbane are:

Social sustainability

“ Enviro-Cottage” is constructed to be multi-purpose. Its multi-use design is suitable for people from different background, such as families, users with disabilities, and elderly people.

The cottage is constructed using the local “ Tuff” stone to tie to Spring Hill’s heritage and preservation of the heritage streetscape

Open front aspect to connect with local street life

Open design to aid easy internal and external surveillance

High security features to all doors and windows with simple and consistent locking systems

The set back garage is designed and constructed to de-emphasise the role of the car

Addition of two off-street parking options takes two cars off the crowded local street

Preservation of the heritage streetscape

Environmental sustainability

The constructed building maximize the use of passive solar design features, such as implementing natural energy flows, and minimising the scale of overlaid systems - lighting, cooling etc.

There is no air conditioning or other mechanical heating or cooling systems required in the design.

Rainwater is being capture, used, recycled and re-used as much as possible, inclusion of grey water processing system.

Generation of required energy needs through onsite photovoltaic system and where possible provision of clean renewable energy back to the community.

During construction, environmentally preferred materials are used (Eg. no use of rainforest or old growth forest products).

Existing 1800's building are renovated to reduce consumption of new materials

Materials with a lifespan equivalent to the projected life of the building are used during construction.

Local products and materials are sourced where possible, thus minimising energy used to transport materials.

Economic sustainability

“ Enviro-Cottage” practises passive solar design and the environmental-friendly products will take future operating costs down to a minimum.

Modular design, flexible usage model, and choice of long lifespan materials selected to build the house will minimise any necessities for future renovations, thus decreasing ongoing construction costs.

The “ Enviro-Cottage” project has demonstrated sustainable development through TBL reporting and the project signified sustainable living ideas, solution and options which can be part of most constructions even when it is challenged with the many constraints facing such renovations such as

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council building codes, existing dwelling condition and design, and smaller block sizes.

Conclusion

In conclusion, the TBL concept demonstrates responsibility to stakeholders in terms of economic, social and environmental impact. The idea behind TBL reporting is sustainable success which will benefit the organisations. Benefits include better reputation and increased confidence, benchmarked performance, increased operational efficiency, stakeholder satisfaction, as well as improved risk management of the business. TBL reports may have different representations in the business and government sectors, and each of the sectors has different interpretation of TBL. TBL reporting is one way organisations can add value to their daily practices of their business.

In terms of sustainable development and construction, TBL is the union of the three constituent parts - social, environment, and economic. TBL is commonly used to prove corporate performance on sustainability as it covers accountability in an economic, social and environmental sense.