



# The Triple Bottom Line

by

John Elkington

Sustainability has been an often mentioned goal of businesses, nonprofits and governments in the past decade, yet measuring the degree to which an organisation is being sustainable or pursuing sustainable growth can be difficult.

- John Elkington strove to measure sustainability during the mid-1990s by encompassing a new framework to measure performance in corporate America.
- This accounting framework, called the triple bottom line (TBL), went beyond the traditional measures of profits, return on investment, and shareholder value to include environmental and social dimensions.

The TBL is an accounting framework that incorporates three dimensions of performance:

Social, Environmental and Financial.

The TBL dimensions are also commonly called

The three Ps: people, planet and profits.

The TBL "captures the essence of sustainability by measuring the impact of an organization's activities on the world ... including both its profitability and shareholder values and its social, human and environmental capital.

The 3Ps do not have a common unit of measure.....

- Profits are measured in dollars.
- What is social capital measured in?
- What about environmental or ecological health?

Some advocate monetizing all the dimensions of the TBL, including social welfare or environmental damage. While that would have the benefit of having a common unit—dollars!

- many object to putting a dollar value on wetlands or endangered species on strictly philosophical grounds.
- Others question the method of finding the right price for lost wetlands or endangered species.
- Another solution would be to calculate the TBL in terms of an index.

TBL in terms of an index: In this way, one eliminates the incompatible units issue and, as long as there is a universally accepted accounting method, allows for comparisons between entities, e.g., comparing performance between companies, cities, development projects or some other benchmark.



There remains some subjectivity even when using an index however.....

For example: how are the index components weighted?

Would 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?

Who decides?????????

# What Measures Go into the Index?

There is **no universal standard method** for calculating the TBL. Neither is there a universally accepted standard for the measures that comprise each of the three TBL categories.

- It allows a user to adapt the **general framework to the needs of different entities** (businesses or nonprofits), **different projects or policies** (infrastructure investment or educational programs), **or different geographic boundaries** (a city, region or country).

# Economic Measures

(Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. )

Specific examples include:

- Personal income
- Cost of underemployment
- Establishment churn
- Establishment sizes
- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross state product

# Environmental Measures

(Environmental variables should represent measurements of natural resources and reflect potential influences to its viability. It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area.)

Specific examples include:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
- Electricity consumption
- Fossil fuel consumption
- Solid waste management
- Hazardous waste management
- Change in land use/land cover

# Social Measures

(Social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. )

The examples listed below are a small snippet of potential variables:

- Unemployment rate
- Female labor force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree or certificate
- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

# Who Uses the Triple Bottom Line?

Businesses, nonprofits and government entities alike can all use the TBL.

# Businesses

The TBL and its core value of sustainability have become compelling in the business world due to accumulating anecdotal evidence of greater long-term profitability.

For example, reducing waste from packaging can also reduce costs.

Among the firms that have been exemplars of these approaches are General Electric, Unilever, Proctor and Gamble, 3M and Cascade Engineering. Although these companies do not have an index-based TBL, one can see how they measure sustainability using the TBL concept.



Cascade Engineering, for example, a private firm that does not need to file the detailed financial paperwork of public companies, has identified the following variables for their TBL scorecard:

## 1. Economic

- Amount of taxes paid

## 2. Social

- Average hours of training/employee
- From welfare to career retention
- Charitable contributions

### 3. Environmental/Safety

- Safety incident rate
- Lost/restricted workday rate
- Sales dollars per kilowatt hours
- Greenhouse gas emissions
- Use of post-consumer and industrial recycled material
- Water consumption
- Amount of waste to landfill

# Nonprofits

(Many nonprofit organizations have adopted the TBL and some have partnered with private firms to address broad sustainability issues that affect mutual stakeholders. Companies recognize that aligning with nonprofit organizations makes good business sense, particularly those nonprofits with goals of economic prosperity, social well-being and environmental protection.)

The Ford Foundation has funded studies that used variations of the TBL to measure the effects of programs to increase wealth in dozens of rural regions across the United States.

RSF Social Finance, a nonprofit organization that uniquely focuses on how their investments improve all three categories of the TBL. Their approach includes the following:

- Food and Agriculture (economic): Explore new economic models that support sustainable food and agriculture while raising public awareness of the value of organic and biodynamic farming.
- Ecological Stewardship (environmental): Provide funding to organizations and projects devoted to sustaining, regenerating and preserving the earth's ecosystems, especially integrated, systems-based and culturally relevant approaches.
- Education and the Arts (social): Fund education and arts projects that are holistic and therapeutic.

# Government

(State, regional and local governments are increasingly adopting the TBL and analogous sustainability assessment frameworks as decision-making and performance-monitoring tools.)

Maryland, Minnesota, Vermont, Utah, the San Francisco Bay Area and Northeast Ohio area have conducted analyses using the TBL or a similar sustainability framework.

- Policy-makers use these sustainability assessment frameworks to decide which actions they should or should not take to make society more sustainable.

# Regional Economic Development Initiatives

## Example: Grand Rapids, Michigan, and the Surrounding Region

In 2005, the Grand Rapids region created the nation's first "Community Sustainability Partnership" to develop a roadmap to lead Grand Rapids to sustainability. The region employs 14 major indicators related to the region's quality of life and environmental factors to determine progress made towards sustainability. Rather than create an index, target goals were established for each indicator. Below are brief explanations of the variables used to measure their TBL.

## 1.Environmental Quality

- Waste: trends in recycling, refuse and yard waste
- Energy: energy consumption, natural gas consumption and alternative fuel usage
- Water: water consumption
- Air Quality: toxic release inventory and number of air pollution ozone action days
- Built Environment: number of LEED registered and certified projects
- Land Use and Natural Habitat: inventory of land use and forest canopy
- Transportation: public transportation ridership

## 2. Economic Prosperity

- Personal Income: personal income per capita
- Unemployment: unemployment rate
- Redevelopment, Reinvestment and Jobs: results from brownfield redevelopment investment and job creation
- Knowledge Competitiveness: third-party report ranking U.S. regions



### 3. Social Capital and Equity

- Safety and Security: crime statistics
- Educational Attainment: degree attainment levels
- Health and Wellness: infant mortality rate and blood lead levels trends
- Quality of Life: home ownership, poverty, and reduced price and free lunches trends
- Community Capital: 211 calls for assistance, voter participation and population and ethnicity

To conclude.....

- The Triple Bottom Line concept developed by John Elkington has changed the way businesses, nonprofits and governments measure sustainability and the performance of projects or policies.
- There are challenges to putting the TBL into practice. These challenges include measuring each of the three categories, finding applicable data and calculating a project or policy's contribution to sustainability. These challenges aside, the TBL framework allows organizations to evaluate the ramifications of their decisions from a truly long-run perspective.