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Triple bottom line

It consists of three Ps: profit, people and planet

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The phrase "the triple bottom line" was first coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility. His argument was that companies should be preparing three different (and quite separate) bottom lines. One is the traditional measure of corporate profit—the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account"—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company's "planet" account—a measure of how environmentally responsible it has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business.

In some senses the TBL is a particular manifestation of the balanced scorecard. Behind it lies the same fundamental principle: what you measure is what you get, because what you measure is what you are likely to pay attention to. Only when companies measure their social and environmental impact will we have socially and environmentally responsible organisations.

The idea enjoyed some success in the turn-of-the-century *zeitgeist* of corporate social responsibility, climate change and fair trade. After more than a decade in which cost-cutting had been the number-one business priority, the hidden social and environmental costs of transferring production and services to low-cost countries such as China, India and Brazil became increasingly apparent to western consumers. These included such things as the indiscriminate logging of the Amazon basin, the excessive use of hydrocarbons and the exploitation of cheap labour.

Growing awareness of corporate malpractice in these areas forced several companies, including Nike and Tesco, to re-examine their sourcing policies and to keep a closer eye on the ethical standards of their suppliers in places as far apart as Mexico and Bangladesh, where labour markets are unregulated and manufacturers are able to ride roughshod over social and environmental standards. It also encouraged the growth of the Fairtrade movement, which adds its brand to products that have been produced and traded in an environmentally and socially "fair" way (of course, that concept is open to interpretation). From small beginnings, the movement has picked up steam in the past five years. Nevertheless, the Fairtrade movement is still only small, focused essentially on coffee, tea, bananas and cotton, and accounting for less than 0.2% of all UK grocery sales in 2006.

One problem with the triple bottom line is that the three separate accounts cannot easily be added up. It is difficult to measure the planet and people accounts in the same terms as profits—that is, in terms of cash. The full cost of an oil-tanker spillage, for example, is probably immeasurable in monetary terms, as is the cost of displacing whole communities to clear forests, or the cost of depriving children of their freedom to learn in order to make them work at a young age.

Further reading

Elkington, J., "Cannibals with Forks: the Triple Bottom Line of 21st Century Business", Capstone, 1997

Savitz, A.W. and Weber, K., "The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success—and How You Can Too", Jossey-Bass, 2006

Willard, B., "The Sustainability Advantage: Seven Business Case Benefits of a Triple Bottom Line", New Society Publishers, 2002

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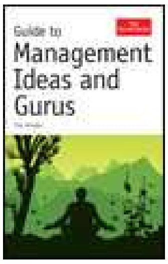

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