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Title: Can the 'triple bottom line' concept help organisations respond to sustainability issues?

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Is the triple bottom line a useful concept to build organisational capacity to respond to sustainability issues?

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The 'triple bottom line' (TBL) concept is increasingly being used by organisations to report on how they are responding to sustainability issues under the headings of environmental, social and economic performance. Through the development of sustainability-related objectives under these headings and matching each objective with an appropriate indicator, organisations are able to monitor and evaluate their actions thereby improving their capacity to respond. However, the predominant way in which the TBL concept is used has its problems. Actions related to the economic dimension are frequently restricted to the organisation's financial performance rather than its effects on the broader economy. Similarly, it can be difficult for organisations to find ways to contribute to broader social sustainability issues beyond what it does for its own employees. Probably the greatest challenge is to facilitate decision-making where trade-offs across the TBL dimensions are necessary. This paper evaluates the usefulness of the TBL concept drawing on experience with Murrumbidgee Irrigation and a review of other case studies in the literature. We argue that TBL reporting can enable organisations to better manage their response to the sustainability challenge when TBL reporting is approached as an iterative learning cycle.

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Introduction

There is growing interest in the TBL concept across the irrigation industry because of the opportunity it provides to account not only for how the industry is responding to its environmental impacts, but to also report on its broader social and economic impacts. Inclusion of the social dimension might allow the debate to move beyond an acrimonious split between arguments for pursuing economic growth on one side and accusations of irreversible ecological damage on the other. Many rural communities depend on irrigation and there is an increasing appreciation that the voice of rural-based natural resource dependent communities needs to be heard (Fisher, 2001). This has contributed to a growing appreciation of including social dimensions into natural resource planning and management processes (*e.g.* Coakes & Fenton, 2001). It might also explain the increased promotion and use of the TBL concept across the irrigation industry. The TBL concept allows organisations in the irrigation industry to not only account for their impacts on the broader environment, but also on the broader economy and society as well.

The use of the TBL concept in this way raises important questions. How does its use to promote the voice of rural communities marry with how the TBL concept evolved and how its advocates would like it used? Can we use the process of TBL reporting to build organisational capacity to respond to broader sustainability issues, and if so how? This paper will explore these questions based on our review of case studies in the literature and our ongoing study of Murrumbidgee Irrigation's TBL reporting process.

Background to the TBL concept

The 'triple bottom line' (TBL) catchphrase was coined by Elkington in 1994 to expand the environmentalist agenda of those working towards sustainability so that it more explicitly incorporates a social dimension (Elkington, 2004). He used the phrase as the basis for his book *Cannibals with Forks* (Elkington, 1998), where he explains that TBL refers to the three bottom lines of "economic prosperity, environmental quality, and social justice" (*ibid.*, p. ix). For Elkington, it is the "social justice" dimension that completes the triple

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bottom line, and is the element of sustainability that businesses “preferred to overlook” (*ibid.*, p. 71). To be sustainable, organisations need to think beyond ‘the bottom line’; maintaining financial certainty into the future will not be enough. For organisations to continue to function in the long term, they need to take actions to ensure that they contribute to the sustainable management of natural and human resources, as well as contribute to the well-being of society and the economy as a whole.

Of course, the idea that sustainability encompasses these three dimensions has been around for ages. A three-dimensional view of sustainability came to prominence during the 1980s in response to a perceived conflict between environment and development. Concern for the environment was conceptualised as being about inter-generational justice - ensuring that future generations had equitable access to the world’s resources. Development was about intra-generational justice - taking action to relieve the global injustices that prevail between those with abundant resources and those fighting for survival. The call for a more “holistic approach” to reconcile the conflict was the “critical insight” (Venning & Higgins, 2001, p. 4) of the Brundtland Report *Our Common Future* (World Commission on Environment and Development, 1987).

If we were to attempt to visualise our place in terms of this three dimensional pursuit of sustainability, we would probably want to represent the TBL concept as a series of concentric circles (Figure 1).

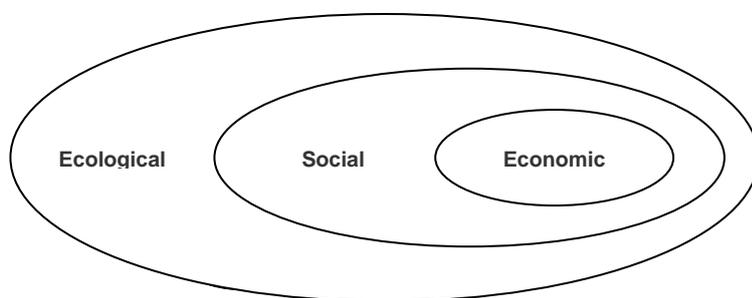


Figure 1: The TBL concept depicted as a set of concentric circles

The message of this visualisation is that it is us - society - that are the ones that have to make the choices and decisions to ensure a sustainable future. We are at the centre; sustainability is a social goal. However for society to have a sustainable future, we are constrained by the ability of the global environment to have a sustainable future. Social sustainability is dependent on the ecological carrying capacity of the global ecosystem, and we must operate within the confines of that global system. On the other hand, the way the economy runs is decided by society. The economic system is a social construct, and we can change the way the economy functions to further the chances that we will have a sustainable future.

Indeed, this view has been taken further. The current thinking of the UK government on sustainability suggests that the goals of sustainability are essentially twofold: environmental and social. Efforts to achieve a sustainable economy is not so much a goal in and of itself, but should rather be seen as a means that can enable the society to live within its environmental limits and to build a strong, healthy and just society. As the UK government sees it: “We want to achieve our goals of living within environmental limits and a just society, and we will do it by means of sustainable economy, good governance, and sound science” (UK Department for Environment, Food and Rural Affairs, 2005, p. 8).

TBL as a reporting device

It is Elkington’s promotion of the TBL as an accounting and reporting tool that has led to its rapid adoption, especially among global corporations looking for ways to enhance their public image as good global citizens. Shell was one of the first companies to incorporate the TBL into its reporting framework, hiring Elkington’s consultancy organisation SustainAbility to develop the tools to help it account for its progress against the TBL (Shell International, 1998). The development of the TBL as a framework through which organisations can present an account of their performance has prompted a flurry of research, funds and consultancy organisations all trying to improve the tools and the process involved. The Global Reporting Initiative was established to provide a central focus for this activity, and to set some international standards for

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sustainability reporting, which have recently been revised (Global Reporting Initiative, 2006). This explosion of interest in TBL reporting has spread across to the public sector, especially among local governments, as well as down to smaller companies, especially those companies involved in natural resources management.

Elkington (1998, p. 72) argues that the key to managing organisational progress towards sustainability is measurement: “what you can’t measure, you are likely to find hard to manage”. While he is a fervent believer that it is possible “to measure progress against the triple bottom line”, he acknowledges two challenges. First, there is the difficulty in accounting for the social dimension. This is not just a matter of how you measure social attributes. He notes that one of the major challenges of the TBL agenda is that “when we include the social and ethical dimensions of sustainability, the range of sustainability-related issues and impacts grow dramatically” (*ibid.*, p. 94). The second challenge is to develop an approach to measuring progress in an integrated way across the TBL.

Many social researchers have criticised the idea that you can use the TBL as some kind of “decision algorithm” mechanism, arguing that decisions around sustainability and natural resource management should “focus on things that count, not the things that can be counted” (Vanclay, 2003, p. 74). Others have noted the difficulty in adopting a systems framework to decision making that incorporates the social dimension: “In attempting to develop social indicators we encounter immediately the problem that the communities whose health in which we are interested do not resemble the sorts of stable and self-regulating systems we find in nature” (Lockie & Jennings, 2003, p. 132).

These and other reservations were raised at a workshop to discuss and debate the use of the TBL concept as a means to incorporate the social dimension into policy and decision making processes for rural Australia (Pritchard *et al.*, 2003). One of the key conclusions to come from this workshop was that the development of TBL indicators is just one part of a broader process. While identifying indicators is an important output in that it helps organisations to reflect on their overall strategic objectives, the process can proceed well beyond that. TBL reporting can lead to engagement with stakeholders “to create new circuits of knowledge exchange and communication”; ongoing monitoring and reporting of TBL indicators can develop into “a new phase of organisational reflection” and exchange regarding the appropriateness of the measures used and the performance targets that have been set (*ibid.*, p. 15).

As a reporting and planning tool, the way the TBL is used has to be seen as a mere approximation of a complex concept like sustainability (Gray & Milne, 2004). This is especially true in the case of its uptake by organisations. For an organisation to account for a “global concept” like sustainability would require “a detailed and complex analysis of the organisation’s interactions with ecological systems, resources, habitats and societies, and [an interpretation of] this in the light of all other organisations’ past and present impacts on those same systems” (Gray & Milne, 2002, p. 5). Instead, the TBL can be used to categorise different issues that relate to the pursuit of sustainability so that the organisation can monitor the effects of its activities on these issues.

Using the TBL to create categories for sustainability issues is part of the way in which we used it in our work with Murrumbidgee Irrigation (MI). This approach was in turn adapted from that used to develop a sustainability reporting framework for the Australian fisheries industry (Chesson, 2002). As a hierarchical framework from broad sustainability goals at the top down to operational objectives and indicators at the bottom, its visual representation allows the flexibility for its component parts to be mapped and arranged in a tree diagram. Such a process can facilitate stakeholder engagement in the discussion of organisational strategies related to sustainability.

Our experience

One of the striking elements that we have learned from our involvement in the MI case study has been the benefits of having staff engagement in the TBL reporting process. Key staff from across the organisation were involved in two workshops, which formed the basis for the planning process to further develop MI’s TBL reporting. The engagement of staff in this way enabled MI’s reflections on how to respond to the sustainability challenge to transect the domains of individual business units within the organisation.

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In late 2005, we organised a workshop together with MI to provide space for the organisation to reflect on what they thought were the sustainability issues facing the Murrumbidgee Irrigation Area (MIA), and plan how the organisation could respond to these. As we went through this process, it was clear that there were many issues that the organisation would have liked to respond to but were seen as being beyond the organisation's direct sphere of influence (Mitchell *et al.*, 2006). For example, some of the issues that workshop participants thought were important to address as 'bigger picture' economic issues included supporting the development of value-adding industries and increasing the diversity of agriculture in the MIA region. 'Bigger picture' social issues in the region included the decline in health, education and transport services.

Because of the constraints posed by boundaries of influence, MI's recent reports on economic performance focus on activities to improve its financial performance, and the organisation has so far been unable to account for how it contributes to the broader economy. This sits with the experience of most other organisations; sustainability reporters fail to present indicators demonstrating their wider economic impacts focusing on short-term financial data instead (ACCA, 2003). Similarly, MI's reportage on its social performance includes its own charity (Doors) through which it invests in the lives of underprivileged children to enable them to pursue their aspirations; and objectives related to its employees' learning, growth and life-work balance. MI is a significant employer in the local area, and a positive treatment of its workforce will have a positive effect on local communities. Its Doors program provides a practical way for it to contribute to local community enhancement. However, the difficulty in finding ways to take action to respond to other 'bigger picture' social and economic issues demonstrates one of the underlying dilemmas of organisationally based TBL reporting processes. Organisations are often hindered from investing time into responding to such issues because they see them as being outside their core business objectives. Responding to most 'bigger picture' issues requires collaborative action by multiple organisations.

One of the prospects that might evolve out of MI's approach in linking its reporting processes with its strategic planning is that it will enable the organisation to link indicator data with the strategic objectives the data is tracking. Such a development could enable the organisation and its stakeholders to evaluate its progress against these objectives. It could also enable debate on trade-offs, where progress towards one objective occurs at the expense of another. An example of this being faced by irrigation organisations is their actions to improve water use efficiency. As these increase electricity consumption, such actions undermine efforts to reduce greenhouse gas emissions. A clear presentation of the effect of one indicator trend on another is especially needed for trade-offs that cross TBL dimensions, such as the balance between long-term environmental and infrastructural improvements with the needs of short-term financial certainty.

Our recommendation - a focus on process

Consistent with the key recommendations of the 2003 workshop on *Social dimensions of the triple bottom line in rural Australia* (Pritchard *et al.*, 2003), we advocate greater focus on the *process* of TBL reporting as a way of enhancing capacity to address the sustainability challenge. Drawing upon case studies related to TBL reporting in the literature we have recently published a set of criteria which can be used to evaluate TBL reporting with the expressed aim of improving TBL outcomes (Mitchell *et al.*, in press).

Key elements of this evaluation framework are:

1. a set of criteria to promote the engagement of staff and external stakeholders in the reporting process so that there is greater collective ownership of the actions that emanate from the process;
2. a focus on identifying any unsustainable trends across the TBL using understandable indicators and clearly presented trends with a view to collaborating on finding solutions and in generating debate about trade-offs across the TBL dimensions; and
3. an emphasis that the process evolves into an iterative learning cycle with a preparedness to challenge business-as-usual operations when they undermine efforts to enhance sustainability.

By implementing an iterative learning cycle (Kolb & Fry, 1975), organisational planning can build on collaborative reflections of changes observed after actions undertaken by the organisation in the past. At the centre of this process is the opportunity to allow stakeholder engagement in the process, both internal and external. In the background report that came out of the Sustainability Challenge project (Shepherd *et al.*, 2006), this process was depicted, and is reproduced here as Figure 2.

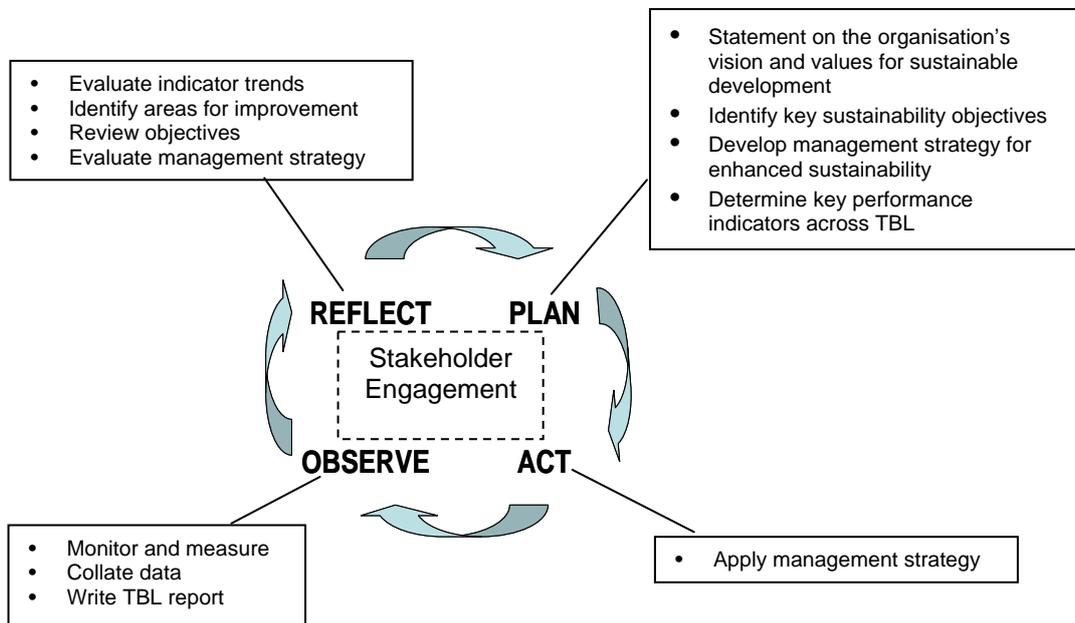


Figure 2: TBL reporting as an iterative learning cycle (Shepherd *et al.*, 2006, p. 4; based on Kolb & Fry, 1975)

There is no question that organisations need to consider how their activities can contribute to a sustainable future for society. TBL reporting is one way to promote reflection on this, and there is an increasing level of experience and resources to support organisations undertake TBL reporting. Given some of the inherent constraints with organisational-based TBL reporting as noted above, it is clear that TBL reporting be seen as a long-term process of adaptive management. This is no quick fix. Rather, it requires developing the means to monitor how an organisation's activities are contributing to specific TBL components of sustainability, and then reflecting on that performance evaluation to ensure that the targets are focused on the most important issues not just those that are most expedient, and that its efforts are addressing these effectively.

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