
Triple
Bottom
Line

The Concept:

- Triple bottom line means expanding the traditional framework to take into account ecological and social performance in addition to financial performance.
- In 1981 Freer Spreckley first articulated the term in a publication called 'Social Audit -A Management Tool for Co-operative Working'.
- Sustainability, itself, was first defined by the Brundtland Commission of the United Nations in 1987.
- The phrase was coined by John Elkington in his book '*Cannibals with Forks: the Triple Bottom Line of 21st Century Business'in the year 1998.*
- The concept of TBL demands that a company's responsibility lies with stakeholders rather than shareholders.
- In this case, "stakeholders" refers to anyone who is influenced, either directly or indirectly, by the actions of the firm.

Three pillars of TBL

PEOPLE **PLANET** **PROFIT**

PEOPLE

"People" (human capital) pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business.

A TBL company conceives a reciprocal social structure in which the well-being of corporate, labour and other stakeholder interests are interdependent.

PLANET

"Planet" (natural capital) refers to sustainable environmental practices. A TBL company endeavors to benefit the natural order as much as possible or at the least do no harm and curtail environmental impact.

A TBL endeavor reduces its ecological footprint by, among other things, carefully managing its consumption of energy and non-renewable and reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner.

TBL manufacturing businesses which typically conduct a life cycle assessment of products to determine what the true environmental cost is from the growth and harvesting of raw materials to manufacture to distribution to eventual disposal by the end user.

A triple bottom line company does not produce harmful or destructive products such as weapons, toxic chemicals or batteries containing dangerous heavy metals for example.

PROFIT

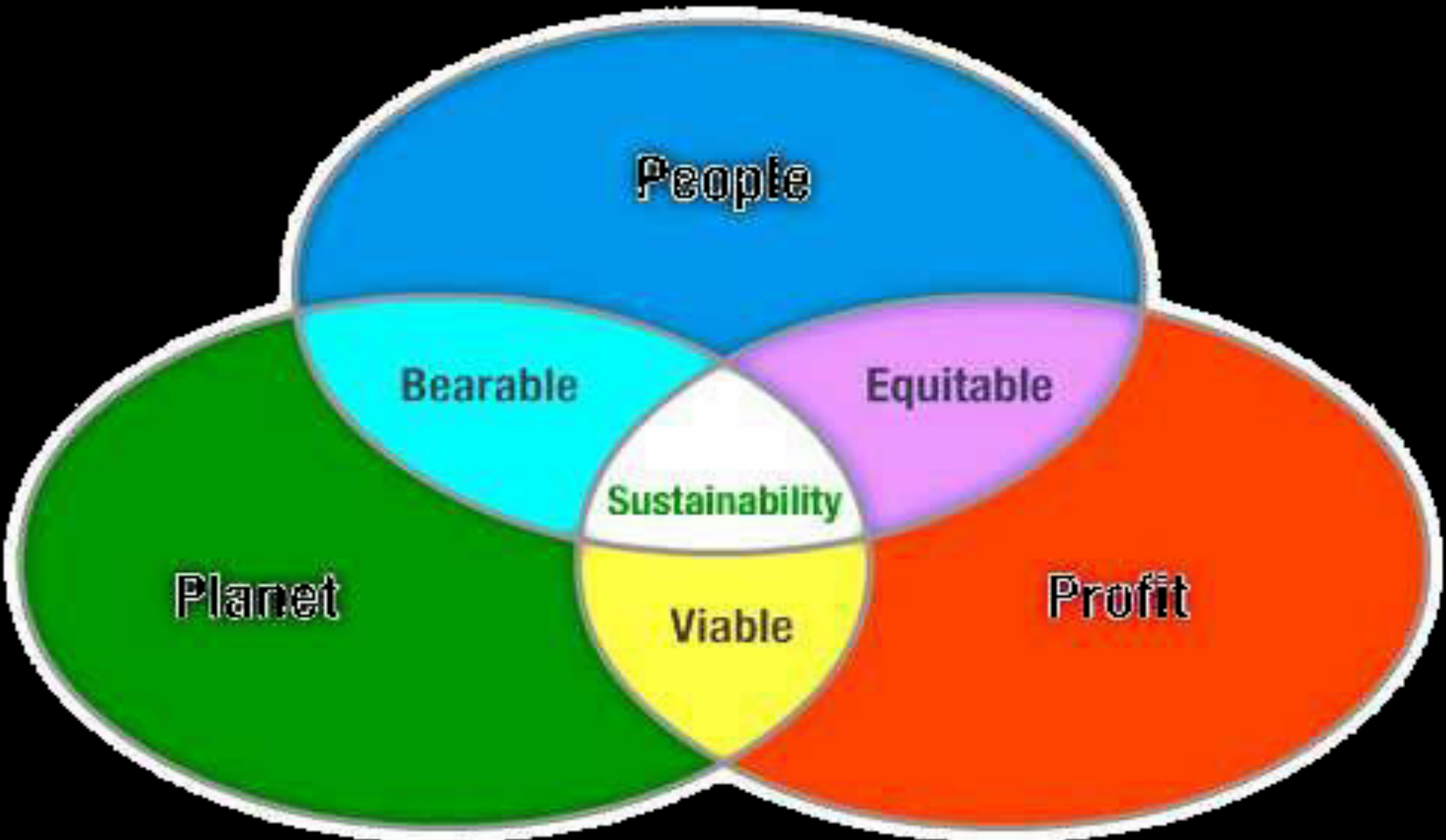
"Profit" is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up.

It therefore differs from traditional accounting definitions of profit. In the original concept, within a sustainability framework, the "profit" aspect needs to be seen as the real economic benefit enjoyed by the host society. It is the real economic impact the organization has on its economic environment.

This is often confused to be limited to the internal profit made by a company or organization (which nevertheless remains an essential starting point for the computation).

Therefore, an original TBL approach cannot be interpreted as simply traditional corporate accounting profit *plus* social and environmental impacts unless the "profits" of other entities are included as a social benefits.

Interdependence



Currently, the cost of disposing of non-degradable or toxic products is borne financially by governments and environmentally by the residents near the disposal site and elsewhere.

In TBL thinking, an enterprise which produces and markets a product which will create a waste problem should not be given a free ride by society.

It would be more equitable for the business which manufactures and sells a problematic product to bear part of the cost of its ultimate disposal.

Ecologically destructive practices, such as overfishing or other endangering depletions of resources are avoided by TBL companies.

Often environmental sustainability is the more profitable course for a business in the long run. Arguments that it costs more to be environmentally sound are often specious when the course of the business is analyzed over a period of time.

Generally, sustainability reporting metrics are better quantified and standardized for environmental issues than for social ones.


ThankYou