

THE TRIPLE BOTTOM LINE APPROACH IN THE INTERNATIONAL CONTEXT

Eva Kaučič, B. S. Economics, M.S. Student
University of Maribor, Faculty of Economics and Business
E-mail: eva.kaucic@uni-mb.si

Abstract: For a long time for business world only one bottom line was important, the financial one. Changed circumstances and different, much broader view on business success support the development of the concept of triple bottom line (TBL). It has three dimensions: the economic, environmental, and social ones. All of them are of equal importance. For that reason, the implementation into the business has to be done without preferring only one dimension of the concept. TBL was developed from ideas of sustainability, sustainable development, and social responsibility. Nowadays, companies are dealing with many environmental issues being of crucial meaning for the society. By implementing TBL companies want to reach certain aims which enable many benefits for them and others. Besides, companies confront many obstacles, but advantages of the concept of TBL are much bigger than difficulties they meet. Because of increased globalization the paper emphasizes the connection between the globalization and TBL approach, as well. Companies can successfully and efficiently connect with other companies and share experiences with them by modern technology and contemporary view on their success. This kind of cooperation can grow into strategic partnership between geographically distant companies, helping to milder global problems, also the environmental and social ones.

Key words: environmental issue, globalization, success, sustainability, the triple bottom line.

PRISTOP S TROJNO PODLAGO V MEDNARODNEM KONTEKSTU

Povzetek: Dolgo je bila za poslovni svet pomembna samo ena podlaga – finančna. Sprememba razmer in mnogo širši pogled na poslovni uspeh podpirata razvoj zamisli o trojni podlagi (TP). Ima tri razsežnosti: ekonomsko, okoljsko in socialno. Vse tri so enako pomembne. Zato njihova uporaba v poslovanju ne sme dajati prednosti nobeni razsežnosti zamisli. Zamisel se je razvila iz idej o sonaravni trajnosti, sonaravnem trajnostnem razvoju in družbeni odgovornosti. Danes imajo podjetja opraviti z veliko okoljskih vprašanj s ključnim pomenom za družbo. Podjetja uporabljajo TP, da bi doseglo izbrane namene, ki omogočajo veliko korist njim in drugim. Sicer naleti podjetje pri tem na veliko ovir, toda prednosti TP so dosti več od težav, na katere naleti. Ker globalizacija zelo narašča, prispevek poudarja tudi povezavo med globalizacijo in TP. Podjetja se lahko učinkovito in uspešno povežejo z drugimi in si izmenjajo izkušnje, ko uporabijo sodobno opremo in sodoben pogled na svoj uspeh. Tako sodelovanje zmore zrasti v strateška partnerstva med zemljepisno oddaljenimi podjetji; to pomaga omiliti globalne težave, vključno z okoljskimi in socialnimi.

Ključne besede: okoljska problematika, globalizacija, uspeh, trajnost, concept trojnega izida.

1. Introduction

For many decades in the business environment only one bottom has had a crucial importance, the financial one. The business success was understood as a financial success and effectiveness was the only measure in business. Such way of thinking was most probably the consequence of the past decades when awareness of social and environmental part of business success was rather low.

Nowadays many successful business organizations implement all three components of triple bottom line equally, as each of the three parts of the TBL is of equal importance. None of them can be neglected or overseen while implementing the TBL approach in practise. Nowadays not only business companies are involving TBL, but also other institutions, like universities. I began to think about the idea of TBL as a student while attending lectures of the Environmental Economics. Through study years students often think about only one way of business success: the financial one. As a result they do not get enough wide views how to understand success in business. For that reason, I have started to investigate other aspects of successfulness in business environment. Besides, if a company really wants to be successful in long term it has to take care of its stakeholder, not only of its shareholders.

2. The definition of the triple bottom line approach

The triple bottom line concept evolved from the idea of sustainable development. Both concepts (TBL and sustainable development) describe people, environment and profit as highly important issues for successful and effective modern society. Those components are sometimes known as triple P: People, Profit, Planet (Elkington

1997, 5). The idea of TBL started to occur in eighties and nineties in previous century when we were facing many hostile takeovers. In 80's a lot of people found out that the society can no longer ignore severe ecological damage and problems (Kirn 2004, 70-78). Moreover, highly volatile economic fluctuations had made companies to think about the significant impact business organizations have on the society and all involved stakeholders.

The United Nation World Commission on Environment and Development started to emphasise the importance of sustainability in UN document titled *Our Common Future*, published in 1987. It is known as the Brundtland Report named after Norwegian president of government and the president of the UN World Commission Gro Brundtland (United Nations 1987, 7-9; Knez-Riedl 2008, 53-55). There is a strong correlation between TBL concept and sustainable development. The theoretical background of the TBL is based on sustainability. As a consequence we can stress that TBL has tried to implement the sustainability in practical use. The crucial parts of the sustainability are: economy, ecology and social aspects. Those issues are significant and fundamental issues of the TBL approach. In business environment we often discuss sustainable organization. Such company is highly financially reliable, minimizes negative impacts on the environment, and considers social capital (Knez-Riedl 2008, 55). Organizations, which follow those principles most usually implement TBL in their business activity.

The term TBL was first used in 1994 by John Elkington. In accounting the term triple balance is used as synonym. John Elkington defined TBL in his most popular book *Cannibals with Forks* in 1997. Due to him the TBL approach presents economic prosperity, ecological quality and social equity (Elkington 1997, 7; Knez-Riedl 2008, 50). Savitz (2009) claims that the TBL approach should be understood as a concept that promotes the slogan »Not just for profit«. As we know, for companies the profit is very important, but it should not be the only preference. Business organizations should efficiently manage also their environmental and social role, not only the financial one. Knez-Riedl (2008, 55) emphasised that the need for more efficient and improved report occurred in the same time when stakeholder of the organizations expected entirely transparent reporting. For that reason, the TBL concept has been connected with many guidelines for transparent reporting of business organizations, especially with GRI (Global Reporting Initiatives).

3. The triple bottom line approach and social responsibility

Nowadays many individuals believe that we have to take the responsibility for the impact we have on environment and society. In past two decades we were faced with immense changes in natural environment. As a result we have to modify our general attitude as individuals. Moreover, companies should implement socially responsible activities in their business. More and more stakeholders expect companies to be socially responsible. Years ago their expectation was only the profit, by TBL two additional performances are important, the environmental and the social ones.

Business organizations have to be involved in environmental issues solving. Even more, they have to be truly active participant. As a consequence, companies should take responsibility for ecological damage they made in the past. Besides, social responsibility is nowadays an utterly significant part of the management in business organizations. Unfortunately, there are still many companies that do not want to act socially responsibly, if this is not ordered by law. Furthermore, some companies treat implementation of the social responsibility as an obstacle that they should generally avoid (Savitz 2009).

Many successful business corporations (Novo Nordisk, Nike 2009) claim absolutely positive aspects of implementation of the social responsibility and the concept of triple bottom line. One of the positive results of the operationalization of the concept in the business is improved cooperation with external stakeholders (buyers, suppliers and others). If a company builds strong and reliable connections with its business partners, it can efficiently lower risks of business, cut costs, and develop significant reputation. Company can develop or improve own goodwill, which can lead to higher value of a company in a financial account.

Companies confront many advantages in long term by implementing TBL concept in their business. By developing strategic partnerships companies can minimize their cost in strongly connected supply chain and improve quality of other business relations. In a very long period of time this will result in increasing profit. Another significant advantage of operationalizing the TBL concept in business is improved ability to exchange information. Business organizations which are socially responsible and involve TBL in the business have noticed that enriched human capital improves advancement in communication in the company. Better flows of information are highly important when crucial strategic decisions should be made quickly and effectively.

4. The implementation of the triple bottom line concept in the international context

Multinational corporations were the first business organizations to implement the concept of TBL. They involved the concept into practical use in several countries across the world. But, many multinational companies are present in countries where social responsibility standards are much lower than in countries where a multinational has its headquarters. As a consequence, in the past many contradictory manners of behaviour of multinational corporations occurred. In a country where headquarter was placed they had immensely high

standards about social responsibility, but, on the other hand, in the factories across the world (especially in developing countries in Asia) they did not take into consideration any principle and standard they respect in Europe. Moreover, they neglected all aspects of TBL they published in their advertising. Many companies therefore accepted strong and consistent codes and frameworks to protect themselves from such mistakes in the future. Through codes multinational organizations specifically defended which procedure is allowed and acceptable and where is the limit between appropriate principles about implementing TBL concept. In most cases that definitions were highly effective.

5. Conclusions

I strongly believe that students should become more aware about the TBL concept through their studies. Moreover, TBL should be involved in many courses of curriculum. I was acquainted with TBL attending lectures in Environmental Economics where we discussed the role of humans and their activities (especially business ones) in natural environment. This can cause many economic, environmental and social problems, being subject partly of environmental economics and TBL. The balance between economic, environmental, and social part is utterly important. Therefore, modern successful companies should strive for this balance to become sustainable enterprises. By knowing and understanding the TBL concept through different lectures at universities students could develop the knowledge about environmental issues in connection with economic and social perspective of human activity. In this way they could be better prepared for their professional careers as future leaders, managers, professionals, and entrepreneurs.

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