

- ISO 9000
- ISO 14000
- Automotive
- Telecommunications
- Services
- Information Security
- Quality Management
- International
- Health & Nutrition
- Other Standards
- ISO 17000

© BSI, Inc 2001

Other Articles

Triple Bottom Line: Beyond Financial Reporting

By Ned Hamson

Industry is starting to boggle at the number of Management System standards. "ISO 9001:2000, ISO 14001, OHSAS 18001! How Do I Manage All These Different Standards?," managers ask.

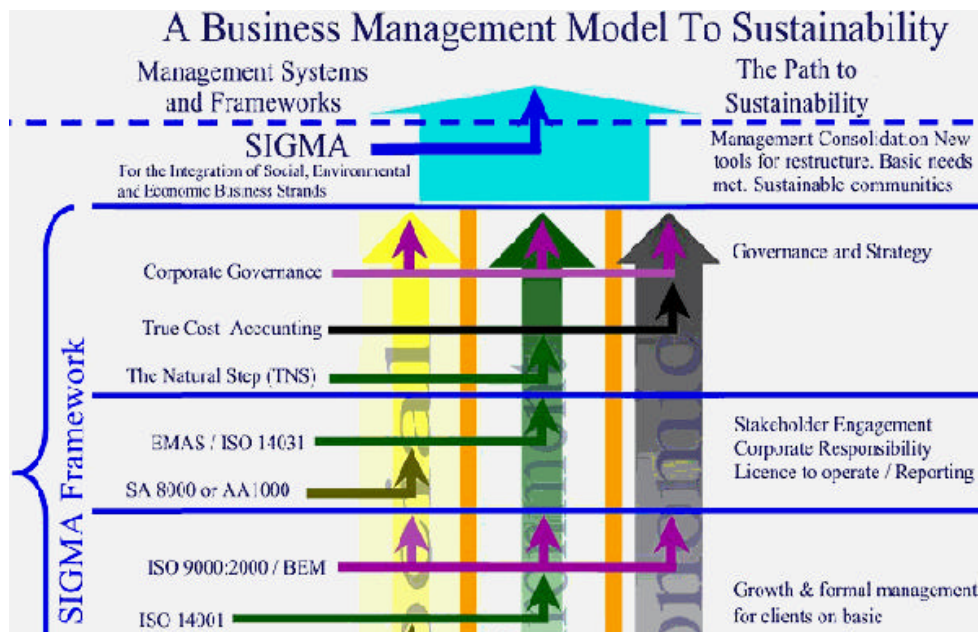
Understanding Triple Bottom Line is your starting point. What on earth is that?

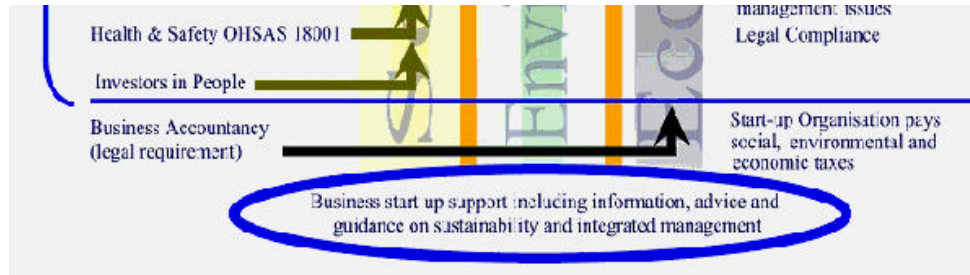
The Triple Bottom Line is one term used to describe an organization's performance in three vital aspects of corporate performance:

- The Economic Bottom Line (the one we are all familiar with) - A firm's record of economic performance (revenue and profit) and integrity.
- The Social or People Bottom Line - A firm's record of social or people performance as it impacts employees, consumers, and community(ies).
- The Environmental Bottom Line - A firm's record of performance as it regards all the issues associated with environmental concerns.

The Triple Bottom Line recognizes the added elements to which management is being held accountable, beyond the traditional "bottom line" of financial performance. This concept asks business to consider how efforts focused on improving one bottom line, impacts on the other two.

Firms, governments, issue-based non-governmental organizations, the media and many individuals also use the words "Sustainability" and "Corporate Responsibility" when they talk about how people, the environment (planet), the economy, and organizations are affected by the interaction between systems - or concerns now considered interconnected - rather than as separate issues with unique problems, opportunities, etc.





Interaction Between Bottom Lines

As recently as the early 1990's most people thought of and treated social, economic and environmental concerns/issues as if they were nearly unique issue areas, each with its own set of experts, issues, rules, expectations, trends, etc. Politicians, university and industry experts/representatives, advocacy groups and the media would quite commonly talk about demands for improvement in any one area as: environment versus jobs, safety versus full employment, work versus family or community concerns.

A principle difference between a single (economic) bottom line focus and a triple bottom line focus is that instead of simply viewing social and environmental issues as expenditures to be subtracted from revenue, they are viewed as opportunities for the better. With a strategic and integrated approach, efforts and expenditures on social and environmental issues may (and do for some firms) lead to increased profit through cost avoidance, as well as product, service, and productivity improvements.

Although there are still people who treat these three streams of issues as separate, and there is no "final" consensus on what specific concerns or issues are "in" a particular stream, there is growing recognition that these issues and concerns can't entirely be separated.

How significant is the interaction? The fact that the 50,000 plus attendees at the recent two week long Global Sustainability Conference in Johannesburg, South Africa included experts, leaders, and operations managers from enterprises, governments, non-governmental organizations (NGOs), the United Nations (Secretariat and most of its agencies), and the World Bank, as well as the International Monetary Fund (IMF) and World Trade Organization (WTO) makes it quite plain that both the issues and their interaction is, pardon the unintended pun, "Big Business!"

"Oh, boy!" I hear someone saying - "Now I have to triple my expenses to meet concerns in all these areas!" No, that's not necessarily the case at all; and for two reasons.

The first reason is that interaction between the three areas, focused attention or improvement in one or two areas may well result in productivity improvements. For example, a number of firms that participated in early 1990s pilot projects in the United States that combined quality improvement processes and teams with hazardous waste minimization efforts, produced significant savings and productivity improvements rather than significant costs associated with the highly visible struggles over adding equipment to "scrub" up coal burning power plants.

Many firms reduced error and waste within their production systems that meant they could reduce the amount waste to be safely and cleanly disposed of and therefore the cost of disposal was less. Other firms found that by managing the interaction, in addition to realizing lower disposal costs, they also achieved improvements in worker health and safety that also led to lower operations costs.

The second reason is that BSI - in partnership with AccountAbility and Forum for the Future - is actively working on an integrated management approach to a firm's working with these three issue areas. Under the project name, SIGMA* (Sustainability: Integrated Guidelines for Management) the group's aim is to create a strategic management framework for sustainability that will enable organizations to "see, manage, improve, and optimize or leverage interaction" between the three areas in ways that enhance a firm's Triple Bottom Line.

SIGMA: It's Aim and Phases

SIGMA's overall aim is to create a strategic management framework for sustainability, which means better, more coordinated use of management system standards. Progressive companies such as 3M, Unilever, Vauxhall, and ABB already have a lot of experience in tackling these issues, but the lessons learned need to be drawn out and translated into a generic framework that can be applied across industry as a whole.

At the start, organizations must meet its legal requirements in terms of basic accountancy and paying appropriate social, environmental taxes. Then companies must register to standards such as: ISO 9001:2000 (quality management) for the economics stream; ISO 14001 (environmental management) for the environmental stream, and Health and Safety OHSAS 18001 for the social or people stream.

At the next stage, companies begin to look at making their environmental policies and processes even more transparent by registering to EMAS/ISO 14031: stepping up their commitment and involvement with people/social issues by moving toward registration to Social Accountability 8000 (SA 8000). At this point in their development, or evolution to being a sustainable firm, they should have increased significantly the degree of stakeholder involvement in product and service design and development, as well as community interaction in locations where facilities are located.

At the third stage, companies should begin to incorporate sustainability into their particular corporate governance standards and policies (the way in which they direct and control their operations) as well as in their strategic research, and innovations. At this stage, companies may well choose to use the principles and techniques drawn from nature itself, as in The Natural Step (TNS) approach. In addition companies may well move, as ABB, Nike and others already have, toward using the principles of the Global Compact and the Global Reporting Initiative as a guide to their corporate governance and strategy.

The SIGMA Time Line

So what is the timeline? When can we expect to see sustainability as the "price of entry" to the global market?

The SIGMA plan calls for a more complete set of standards, or at least a clearer map to sustainability in the 2003-2004 timeframe. Visit www.projectsigma.com for more details.

You may be closer than you think to a Triple Bottom Line

Many organizations today submit audited accounts, have a registered quality management system, have a health and safety policy, and have environmental action teams. These are all in recognition of the pressures to be seen to be doing the right thing by stakeholders. As this pressure increases and firms start to see the real benefits of each system they start to get more serious about each initiative. Recognizing the Triple Bottom Line concept is a huge mind shift for many senior managers, but realizing that they are doing it already eases this development.

However the "bottom line" is that most companies could be taking a much more sophisticated approach, and doing a lot more not only for themselves, but the wider world. Whilst they are not they are missing out on some huge benefits.

Editor's Note

* The SIGMA Project is a partnership between the British Standards Institution, Forum for the Future and AccountAbility. The project receives funding from the UK Department of Trade and Industry (DTI) and the private sector. SIGMA is also supported by three other Government Departments of the United Kingdom;

the Department for Environment, Food and Rural Affairs (DEFRA),
the Department for Education and Employment (DfEE), and
the Department for International Development (DfID).

Material for this article was drawn from:

Mail and Guardian, Johannesburg, SA (8/28/02) Mail and Guardian Online www.mg.co.za/
Interviews by Ned Hamson with Richard Enander of Rhode Island Department of Environmental Management and companies participating in statewide project funded by USEPA.

Project SIGMA's web site: www.projectsigma.com/

The Global Reporting Initiative:

www.globalreporting.org/GlobalCompact/GlobalCompact.htm

A Quick List of Triple Bottom Line terms

Corporate Governance

Corporate governance is the way in which corporations are directed and controlled

Eco-design

The removal or reduction of any environmental impacts associated with a product or a service at the design stage.

Eco-efficiency

Put at its simplest eco-efficiency is about making more (product) with less (materials and energy), better and (to last) longer.

Global Reporting Initiative (GRI)

A UNEP-funded initiative to develop a format for sustainability reporting and performance indicators. See: globalreporting.org and globalcompact.org

Green Globe

A management system standard for the leisure and tourism sector whose aim is to drive continual improvements in environmental and health and safety performance.

Inclusivity

Surrounding the need for transparency, responsiveness, compliance and assurance is the concept of inclusivity - 'the reflection at all stages of an accounting (accountability) process of the aspirations and needs of all stakeholder groups'.

Investors in People

A UK only voluntary standard based on 12 key performance indicators and the generation of objective evidence. Organizations who sign-up to Investors in People make a commitment to the development and training of their staff in order to meet their own organizational goals and objectives. (Source: Investors in People 2000).

Q-RES Initiative

An Italian sister initiative to The SIGMA Project.

Social Accountability 8000 (SA 8000)

A management system standard developed by Social Accountability International (an NGO), which is based on a range of United Nations and International Labor Organization Conventions relating to best social and labor practices prior to 2000.

Sustainability

Sustainability may best be defined as the "capacity for continuance into the long-term future".

The Natural Step (TNS)

The TNS framework has been derived from an examination of the science underpinning the working and inter-relationships associated with natural systems. At the heart of the Natural Step therefore, lie 4 system conditions, which provide a description of the conditions that must be met for society to live and sustain growth within planet Earth's supportive capacity.

Transparency

The duty to account to those with a legitimate interest - the stakeholders in the organization: those groups who affect and / or are affected by an organization and its activities.

Triple bottom line

A popular way of expressing the concept and practice of sustainable development in a business context - originally coined by John Elkington of SustainAbility.

Turnbull Report

The Turnbull Report, produced by The Institute of Chartered Accountants for England and Wales, under the chairmanship of Sir Nigel Turnbull, helps organizations meet the internal control and governance requirements identified in the Combined Code for those companies listed in the UK London Stock Exchange.