

# WHAT TRIPLE BOTTOM LINE?: ACTUALLY, IT'S ALL SOCIAL

Richard J Price, October 2007

Kiri-ganai Research, GPO Box 103, Canberra, ACT, 2601

## Abstract

Triple bottom line reporting is becoming more prevalent across many sectors of society. While it was born out of the corporate and business world as a means of conveniently reporting corporate social responsibility, it has been embraced by many keen to give social and environmental agendas more prominence in the face of corporatist globalisation. This paper discusses the translation problems involved in taking an accountancy-based reporting structure to adequately address social and environmental phenomena. Moreover, the paper questions the validity of a 3BL approach in adequately understanding the quintessential nature of economic, environmental and social consequences, suggesting the key flaw is that all these factors are socially and culturally grounded. Each of the 'bottom lines' are addressed from a social constructivist perspective, and a suggestion is posited on how to interpret the interactions within and across 3BL factors to find deeper meaning to reveal root causes of problems.

## Introduction

It's taking off like a native grass fire on a hot windy day, but the term 'triple bottom line' leaves many people cold. Why is this so? Is it because, for some, it is pure jargon with connotations of bureaucracy, officialdom and formality (Norman & McDonald 2003)? Is it because, for others, it represents an opportunity for environmentalists and communities to get their causes onto some broader agenda (a kind of conduit for their ideology)? Or is it because, for yet others, it is an attempt by productivists to place social and environmental concepts into a traditional economic-oriented framework (back to ideology)? (Henderson 2003; Halfon 1998)

Perhaps it's just the term's overuse, uncertain meaning, or generic application that has a growing number of people sceptical. What should not be discounted, however, is that all this might be nothing more than the author's personal subjectivity and biases: focusing him upon the people left cold, but not upon those wildly excited by the concept of the triple bottom line.

Therein lays the crux of this paper. People are inherently subjective beasts, constructing different images and meanings out of similar phenomenon and events, reflecting their individual values and beliefs. And together, reflecting our shared values and beliefs, we can jointly construct images and meanings; laws and institutions. What our eyes see, and what it represents to us (its meaning), are two different things, and underlying this difference is all social, up to and beyond the eyeballs.

In this sense, the meanings of the economic and environmental components of the triple bottom line are nothing more than a social construct. The idea of social constructionism that this paper takes is that we do not live in a world of objective realities but in a world made meaningful by interaction. It is through communication and discourses that meaning is constructed, and because of shared communication and use of narratives, individual and collective realities can correspond. In this mindset, native grasses are not native grasses simply because that's what they are, but because people speak about them and give them meaning through interaction and narratives (Latour & Woolgar 1979).

Perhaps then, we would get a lot more out of the concept of 'triple bottom line' if we focussed a little more on the social; not as one component of the TBL, but as what constructs the overall concept.

## The Problem with "Triple Bottom Line"

"If you can't measure it, you can't manage it," or so the managerialist cliché of the 1990s goes. And so the triple bottom line (3BL) was born. While the term seems to have been around forever, it was

the think-tank firm, AccountAbility, that first started using it during the mid 1990s (Norman & McDonald 2003). Indeed, John Elkington, a US business strategist stakes a claim for first coining the term and having it widely accepted as public currency following publication of his 1998 book, *Cannibals With Forks: The Triple Bottom Line of 21st Century Business*.

Essentially the concept of the 3BL was an attempt to introduce an accounting paradigm, the ‘bottom line’, to the social and environmental domains. It was originally introduced as a corporate business tool, and one may wonder if Elkington had any notion at the time it was first used, that the term would be picked up and applied universally, including across the non-corporate world. It’s a sure bet he would not have envisaged it being discussed by graziers out the back of Burra, rural Australia, in the context of managing native grasses!

In some sense, the 3BL concept is not new, and it applies concepts of accounting to what previously was often referred to as ‘corporate social responsibility’. But has something been lost in the translation? Can the concept of social responsibility be repackaged into a ‘bottom line’, with the implication that such a bottom line represents a net social impact that is reached by summing up the credits and debits as one would the financial bottom line? Is it even measurable, or are only some elements measurable, and therefore the quintessential nature of the term lost for ease of reporting convenience? As Norman and McDonald (2003) put it, *What are the ethical/social equivalents or analogues of, say, revenue, expenses, gains, losses, assets, liabilities, equity, and so on?*

This is not to say that social indicators do not exist, and, for example, many have been developed as standards under different quality assurance and accounting reporting arrangements. But how does one interpret the following, which might appear, for example, in a 3BL annual report of a government body involved in agriculture or natural resource management?:

- (a) 20% of its senior management were women,
- (b) the annual turnover rate among staff was 4%,
- (c) it directed 22% of its budget to community-based programs,
- (d) 175 farmers participated in its training programs, and
- (e) it invested \$1.5 million into R&D addressing eutrophication.

Is this good? Is it appropriate? Is the social bottom line better off? Have social responsibility obligations been achieved? To whom were these obligations pledged, and are they satisfied? And aggregated together, what does it all mean? Answers to these questions can only be subjective, reflecting the personal values of the person making judgment on them.

Norman & McDonald (2003) conclude:

*“Triple Bottom Line in fact turns out to be a “Good old-fashioned Single Bottom Line plus Vague Commitments to Social and Environmental Concerns”. And it so happens that this is exceedingly easy for almost any firm to embrace. By committing themselves to the principles of the 3BL it sounds like companies are making a more concrete, verifiable commitment to CSR and sustainability. And no doubt many are. But it also allows them to make almost no commitment whatsoever. Without any real social or environmental bottom lines to have to calculate, firms do not have to worry about having these “bottom lines” compared to other firms inside or outside of their sector; nor is there likely to be any great worry about the firm being seen to have declining social and environmental “bottom lines” over the years.”*

Moving away from the corporate world, and moving closer towards programs relating to rural Australia, indicators such as ‘pride’ and ‘confidence’ have crept in as way of capturing concepts that might not have their best basis of measurement grounded in quantitative methods. These terms may also capture the essence of what many rural Australians may be looking for when they use, if not heartily embrace, the 3BL mantra. It suggests that the social is important, but that there is not necessarily a ‘social bottom line’. That is, they aren’t quite sure what they’re looking for, but they

certainly know that their satisfactions from farming and country life are not just based on profit maximisation and the financial bottom line.

### **Revisiting the ‘Economic Bottom Line’**

Economics and financial bottom lines tend to be used interchangeably, but really they ought not. In many respects, the term ‘finance’ is more tangible than economics. Finance is about money, which can be touched, distributed, shared, won, earned or lost. It can be toted up, with debits and credits leading to a bottom line, duly underscored and reported against either in its own right or as part of the 3BL. Economics on the other hand, is a concept, embracing the relationships between policies, decisions, institutions, theories and choices that affect the production, trade and distribution of resources, including financial, across society. In two senses, the economy is simply a social construct. First, it is the result of policies, institutions and interactions put in place collectively by society, and influenced by collective human action and interaction. Second, a view of what an economy is and what it means is socially constructed from narratives among members of society. In this way, the economic bottom line cannot be seen as something separable from social factors, including the values of society that might be reflected in indicators attributed to finances and economics.

Even without taking this constructionist perspective, it is difficult to deny the integral relationships between economy and society. As Michael Porter of the Harvard Business School, one of the world’s leading economic institutions, admits, “the economic and social are not separate” (Porter 1998).

A brief look at the rapidly changing demographics of Australian agriculture is testament to this. Competing within either a domestic or international market, producers are forced into a cycle of continuous adoption of innovation to ensure productivity gains equivalent to or in excess of their competitors. The consequence of not remaining competitive impacts upon their viability; or as Barr (2002) claims, “minor advances in the technology of managing existing farming systems bring gradual cost pressures upon those least able or willing to adopt these innovations.” The inevitable consequence of this has been an annual decline in farm numbers of 1.5 per cent over recent years, despite average productivity gains (across all agriculture) of around 2.8 per cent per year (Productivity Commission 2005).

The social consequences of this are profound – fewer but larger farms with an increasing concentration of production output translates into direct social impact. Importantly, the social impact extends even to those who gain from a financial perspective. At a community level, reduced farm numbers and improvements in production efficiency results in less need for labour and other services, and so small towns get smaller, and the services that support the infrastructure and social needs of small towns dwindle. At the individual level, farmers become part of a dwindling social network and may feel a growing sense of isolation.

It is ironic, then, that the economic processes that lead to increased competitiveness and a better financial bottom line, can result in a long-term social trade-off. The irony becomes even greater when, through the erratic nature of innovation, improved forms of production are developed but their adoption is hindered by the lack of supporting services and infrastructure once abundant but no longer available. Many producers wanting to get back into sheep production in the wheat-belt of Western Australia, for example, are confronted by this very dilemma.

The economic notion of efficiency can also result in other forms of social stress, particularly where the benefits of increased efficiency and productivity are not seen to be equitably distributed. At this very point in time, many vegetable producers across Australia are arguing that existing supply chain arrangements result in the non-producers in the supply chain (such as packers, processors and retailers) capturing and not passing on the benefits of the efficiencies gained by the producers. Where this is perceived to be the case, economics and notions of social equality run head-on into one another. The economic construct no longer seems to serve the purposes of a portion of those who helped construct it. The net result is angst, a backlash with formalised campaigns (such as the recent Fair Dinkum Food

campaign waged by Tasmanian vegetable growers) appealing to moral obligations based on social, rather than economic, justice. These appeals seek to garner community support, more so than the support of the economic institutions of the nation.

Perhaps the last word on the financial bottom line is that it is not the bottom line. The values, behaviours, practices and attitudes of many, if not most producers, reflect the premise that profit maximisation is important, but it is a means to an end – and that the end is usually about maintaining the social rewards the lifestyle of being a producer brings.

### **Revisiting the ‘Environmental Bottom Line’**

Sociologists of the constructivist school such as Grove-White (1997), Greider and Garkovitch (1994), Fine (1991) and Geertz (1983) argue that the natural environment itself is a human construct. Landscapes are constructed by cultural groups as reflections of themselves and in this process, *the social, cultural and natural environments are meshed and become part of the shared symbols and beliefs of members of the groups* (Greider and Garkovitch 1994). Changes in the natural environment take on different meanings depending on the social and cultural symbols affiliated with it. Most importantly, argue Greider and Garkovitch, as a group’s definition of itself is renegotiated, so too is the definition and the conception of the environment.

So what does this mean for the 3BL? First, it means that there can be no environmental bottom line other than that which is socially constructed. The environment is indivisible from the social, and while for some this is a philosophically challenging statement, it begins to make sense when one simply thinks about translating individual perceptions to shared perceptions. For example, one person looking at a river may see it as a source of aesthetic pleasure; another may see it as a source of irrigation water; while another may see it as a source of recreation, perhaps for fishing. With each carrying a different perspective of the river on the basis of preferential utility, each will also give different meaning to the ebbs and flows of the current, the water level, the vegetation around it and so on. These meanings accumulate to paint a different picture of a landscape when compared to someone else’s picture. Environments can take on collective meaning based on the collective social affiliations attributed to them.

Second, and perhaps less philosophically challenging, environmental condition is a reflection of social interaction. Just as the environment itself is argued to be a socio-cultural construct, Grove-White argues that problems associated with the environment are also more than simply physical phenomena:

*They are also inescapably philosophical, ethical, political and cultural. The particular objective of environmental problems and issues which society recognises at any one moment are shaped and determined by processes of human judgement and social negotiation, even in their very definitions.* (1997:109)

Woodhill’s research concurs with this view, concluding that environmental problems are essentially social in nature, and only environmental in consequence (1999). Indeed, the environment offers a window for observing a process of change in social relations. Giddens argues:

*It is not the crisis of capitalism as a rational mode of economic management which has come to dominate our era. Rather, it is the ecological crisis around which most tensions – but also most future possibilities – today are grouped.* (1995:13)

Giddens considers society has reached a point he calls ‘late-modernity’. The *ecological crisis is a crisis of a ‘damaged modernity’* he states, where we are not only concerned with the *physical limits of growth*, but also with *coming to terms with the social repressions upon which modernity is built* (Giddens 1995:13). More specifically, Woodhill (1999) argues that the problems of the environment stem not simply from the act of inappropriate resource use, but are promulgated by factors associated with modernity; factors that support the act of inappropriate resource use. These factors have

encouraged increased consumption, extractive resource use and the ascendancy of efficiency over sustainability. Woodhill concludes that *a sociological and political economic analysis of modernity and late modernity has more to offer by way of substantive understanding of the structural causes of land degradation than an extensive review of the sustainability and environmental literature* (1999:141).

This final point shows a clear interaction between the environmental and economic bottom lines of the 3BL. More importantly, these interactions are social in their context. So what are the implications? Clearly, while there may be elements of the economic and environmental components of the 3BL construct, the notion of there being independent bottom lines is nonsense, or at least nothing more than the accountancy-based tool that was originally conceived to make reporting convenient, if not meaningful.

### **Revisiting the ‘Social Bottom Line’**

If, as has been argued above, the economic and environmental bottom lines are little more than social constructs, then what of the social bottom line? Certainly there are elements of social phenomena that are measurable, such as demographic trends, education levels and so forth, and these frequently appear in 3BL reports. But are these useful surrogates for measuring the full scale of social trends that, as we have seen, are also integrally embedded into economic and environmental phenomena? Issues such as equity and consumption very rarely, if ever, appear in 3BL reporting.

In recent years, calls have been made to add a fourth bottom line to the 3BL; a bottom line based on culture (e.g. Spiller & Lake 2003). While this may be simply adding yet a fourth leg to a concept that is in many ways flawed, it does provide a lead to defining some pragmatic ways of dealing with the flaws. The call for a bottom line based on culture draws attention to the impacts that the accumulated stresses currently measured by the 3BL are having on culture at local levels. In most cases, the calls for such a bottom line are based on cultures that are defined genetically (i.e. by race), but culture has many aspects to it, many of which are defined by local context.

Globalisation has played no small part in the development of the concept of the 3BL, but the paradox of globalisation is that while it has resulted in greater global integration of national and regional economies and cultures, it *accentuates, rather than minimizes, the significance of the local context for innovative activities* (Acs *et al* 1996). This paradox was first termed ‘glocalisation’ by Roland Robertson in 1992. Glocalisation has strong undertones of regionalism, and sees collective behaviour at local levels attempt not to defy globalisation, but to accommodate it by competing on the basis of local competitive advantages (Bauman 1998). These advantages are often a complex mix of factors measured separately under a 3BL framework.

What glocalisation tells us about the way forward is this: First, it is the integration of the factors underlying the 3BL rather than the accumulated credits and deficits that make up the bottom lines that have greater meaning to those people who are living the events rather than reporting on them. Second, the integration of these factors is socially and culturally contextualised, and therefore meanings are likely to resonate more at local levels. This would tend to support perceptions of the 3BL being a formalised reporting arrangement imposed from ‘elsewhere’.

Ultimately, what is being suggested here is that there are no triple bottom lines that can be made meaningful to their fullest extent in isolation from one another, and even then the deepest understanding will come from extrapolating meaning from the whole, and not from the ingredients that make up the whole. This can only come from looking at the social basis and the social implications of what is transpiring in the ‘economy’, ‘environment’ and ‘community’.

Interestingly, a group of ecologists and economists associated with developing a 3BL benchmarking study for a collaborative mixed farming systems program, Grain & Graze, concluded that in the context of mixed farming systems, the 3BL did not make much sense. It was the health of the

'system' they said that mattered, and that this health depended on the trade-offs between the components of a traditional 3BL (URS 2004). From the standpoint of a constructivist approach, 'health' will very much be defined by collective narratives. In this sense, it will be the conversations rallying around the 3BL that will ultimately define progress.

## Conclusion

This paper has not attempted to deconstruct the 3BL from the perspective of putting a nail (either the first or last) into its coffin. The 3BL will be around for some time to come, and it does attempt to broaden the discourse about what the benefits and disbenefits of agricultural use of our landscapes are. However, any discussion about these benefits and disbenefits must recognise that the concepts embedded into the 3BL are ultimately social and cultural in their framing and meaning.

The benefit to be gained from 3BL approaches is not so much in the reporting, but in the understanding of the meaning of what is being reported. This requires a more holistic approach to understanding trends, phenomena and consequences, the relationships between them and the social and cultural basis for these. As Woodhill (1998) suggests, while consequences of actions might be economic or environmental in nature, their basis is inevitably social. Values, attitudes and behaviours are ultimately at the bottom of any bottom line. To this end, finding meaning from the interactions across social, economic and environmental phenomena is best done at the local level, taking into account cultural and social diversity unique to different regions.

And aren't we better off addressing root causes of problems?

## References

- Acs, Z., de la Mothe, J., & Paquet, G. (1996) 'Local systems of innovation: in search of an enabling strategy'. In P. Howitt (Ed.), *The Implications of Knowledge-Based Growth for Micro-Economic Policies*. Calgary: The University of Calgary Press.
- Baumann, Z. (1998) *Globalization*. Cambridge . Polity Press.
- Elkington, J. (1998) *Cannibals With Forks: The Triple Bottom Line of 21st Century Business*. New Society Publishers, Stony Creek, CT, 1998.
- Fine, G.A. (1991) 'On the Macrofoundations of Microsociology: Constraint and the Exterior Reality of Structure'. *Sociological Quarterly*. 32, pp161-77
- Geertz, C. (1983) *Local Knowledge: Further Essays in Interpretive Anthropology*. Basic Books, New York
- Giddens, A. (1995) *Politics, Sociology and Social Theory: Encounters with Classical and Contemporary Social Thought*. Polity Press, Cambridge
- Greider, T. and Garkovitch, L. (1994) 'Landscapes: The Social Construction of Nature and the Environment'. *Rural Sociology*. 59(1), pp1-24
- Grove-White, R. (1997) 'Environment, Risk and Democracy' in Jacobs, M. (ed) *Greening the Millenium? New Politics of the Environment*. Blackwell, Oxford
- Halfon, R. (1998) *Corporate Irresponsibility: is business appeasing anti-business activists?* Social Affairs Unit, Research, Report 26.
- Henderson, D (2001) *Misguided Virtue: false notions of Corporate Social Responsibility*, Wellington, NZ: New Zealand Business Roundtable, 2001
- Latour, B & Woolgar, S. (1979) *Laboratory Life: The Social Construction of Scientific Facts*. Beverly Hills / London: SAGE, 1979.
- Norman, W. and MacDonald, C. (2003) 'Getting to the Bottom of "Triple Bottom Line"' *Business Ethics Quarterly*, March 2003
- Porter, M. (1998) Cluster and the new economics of competition. *Harvard Business Review*, November-December, 77-90
- Productivity Commission. (2005) *Trends in Australian Agriculture*, Research Paper, Canberra.
- Robertson, R. (1992): *Globalization: Social Theory and Global Culture*. London: Sage Publications.

- Spiller, R. and Lake, C. (2003) 'Investing in Culture – The Fourth Bottom Line' *Ethical Investor*, June 2003:22
- URS Australia (2004) 'Benchmarking mixed farming systems in the Medium Rainfall Zone of Australia', *Final Report*. Land & Water Australia, Canberra
- Woodhill, A.J. (1999) *Sustaining Rural Australia: A Political Economic Critique of Natural Resources Management*. Unpublished PhD Thesis. Australian National University, Canberra