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SUSTAINABILITY

25 Years Ago I Coined the Phrase “Triple Bottom Line.” Here’s Why It’s Time to Rethink It.

by John Elkington

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How often are management concepts subjected to recalls by the people who invented them? It is hard to think of a single case.

If an industrial product like a car fails the manufacturer pulls it back, tests it and, if necessary, re-equips it. In case manufacturers grow careless, governments run periodic road safety tests. Management concepts, by contrast, operate in poorly regulated environments where failures are often brushed under boardroom or faculty carpets. Yet poor management systems can jeopardize lives in the air, at sea, on roads or in hospitals. They can also put entire businesses and sectors at risk.

With this in mind, I'm volunteering to carry out a management concept recall: with 2019 marking the 25th anniversary of the "triple bottom line," a term I coined in 1994, I propose a strategic recall to do some fine tuning.

For those not familiar with it, the triple bottom line is a sustainability framework that examines a company's social, environment, and economic impact. So why recall it now? After all, since the 1990s, the sustainability sector has grown rapidly, though at around $1 billion in annual revenues globally it is no giant. Still, market research suggests that future markets for its products and services could be huge — with the U.N. Sustainable Development Goals forecast to generate market opportunities of over $12 trillion a year by 2030 (and that's considered a conservative estimate).

But success or failure on sustainability goals cannot be measured only in terms of profit and loss. It must also be measured in terms of the wellbeing of billions of people and the health of our planet, and the sustainability sector's record in moving the needle on those goals has been decidedly mixed. While there have been successes, our climate, water resources, oceans, forests, soils and biodiversity are all increasingly threatened. It is time to either step up — or to get out of the way.

To this end, if we reverse engineer today's sustainability agenda, it is clear that a powerful element of its genetic code has been the Triple Bottom Line (variously rendered as TBL or 3BL).

A decade ago, The Economist was already signaling that the term had become part of the business lexicon. As the magazine explained, the approach, "aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business."

Well yes… but the original idea was wider still, encouraging businesses to track and manage *economic* (not just financial), social, and environmental value added — or destroyed. This idea infused platforms like the Global Reporting Initiative (GRI) and Dow Jones Sustainability Indexes (DJSI), influencing corporate accounting, stakeholder engagement and, increasingly, strategy. But the TBL wasn't designed to be just an accounting tool. It was supposed to provoke deeper thinking about capitalism and its future, but many early adopters understood the concept as a balancing act, adopting a trade-off mentality.

Changing the System

The concept surfaced exactly 500 years after Luca Paccioli published the world's first treatise on double-entry bookkeeping, the cornerstone for single bottom line thinking. Looking back, it is clear that the advent of the TBL proved to be a branching point. It was followed rapidly by Double and Quadruple Bottom Lines, Social Return on Investment (SROI), multiple capital models, Full Cost Accounting, ESG (a framework focusing investors and financial analysts on Environmental, Social and Governance factors), the Environmental Profit & Loss approach pioneered by Trucost, Puma, and Kering, Net Positive, Blended and Shared Value, Integrated Reporting, Impact Investment and, most recently, BCG's Total Societal Impact framework. And that's even before we get into next generation concepts like Carbon Productivity, the Sharing and Circular Economies, or Biomimicry.

Such experimentation is clearly vital — and typically sparks a proliferation of potential solutions. But the bewildering range of options now on offer can provide business with an alibi for inaction. Worse, we have conspicuously failed to benchmark progress across these options, on the basis of their real-world impact and performance.

Together with its subsequent variants, the TBL concept has been captured and diluted by accountants and reporting consultants. Thousands of TBL reports are now produced annually, though it is far from clear that the resulting data are being aggregated and analyzed in ways that genuinely help decision-takers and policy-makers to track, understand, and manage the systemic effects of human activity.

Fundamentally, we have a hard-wired cultural problem in business, finance and markets. Whereas CEOs, CFOs, and other corporate leaders move heaven and earth to ensure that they hit their profit targets, the same is very rarely true of their people and planet targets. Clearly, the Triple Bottom Line has failed to bury the single bottom line paradigm.

Sustainability's First Recall

Critically, too, TBL's stated goal from the outset was *system change* — pushing toward the transformation of capitalism. It was never supposed to be just an accounting system. It was originally intended as a genetic code, a triple helix of change for tomorrow's capitalism, with a focus was on breakthrough change, disruption, asymmetric growth (with unsustainable sectors actively sidelined), and the scaling of next-generation market solutions.

To be fair, some companies did move in this direction, among them Denmark's Novo Nordisk (which rechartered itself around the TBL in 2004), Anglo-Dutch Unilever, and Germany's Covestro. The latter company's recently retired CEO, Patrick Thomas, has stressed that the proper use of the TBL involves, at minimum, progress on two dimensions while the third remains unaffected. It is time for this interpretation to become the default setting not just for a handful of leading businesses, but for all business leaders.

I see a bright ray of hope coming from the high-energy world of B Corporations. There's a lot of momentum there; around 2,500 businesses worldwide are now certified as B Corps. All are configured around the TBL — dedicated to be not just "best in the world," but "best *for* the world." Major companies like Brazil's Natura and Danone's North American operation are now B Corps, with other multinational corporations considering how to follow suit.

To truly shift the needle, however, we need a new wave of TBL innovation and deployment. But even though my company, Volans, consults with companies on TBL implementation, frankly, I'm not sure it's going to be enough. Indeed, *none* of these sustainability frameworks will be enough, as long as they lack the suitable pace and scale — the necessary radical intent — needed to stop us all overshooting our planetary boundaries.

Hence the need for a "recall." I hope that in another 25 years we can look back and point to this as the moment started working toward a triple helix for value creation, a genetic code for tomorrow's capitalism, spurring the regeneration of our economies, societies, and biosphere.

John Elkington is Chairman and Chief Pollinator at Volans. His most recent book is *The Breakthrough Challenge: 10 ways to Connect Today's Profits With Tomorrow's Bottom Line*, co-authored with former PUMA CEO and Chairman Jochen Zeitz.

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Robert Sroufe 4 months ago

John,
Good to see this call to action. In my own MBA program we try to bury the single bottom line paradigm by instead using "Integrated Management" to try and get away from the bias the TBL, environmental management, and sustainability sometimes bring with it. I would hope call to action can bolster options to expand the integration of this information into B School curriculum, pedagogy, research, and an expansion of teaching cases along with materials for faculty across disciplines. I would love to see financial analyst competitions where teams of MBAs have access to MSCI Global Socrates, TruCost (now owned by S&P), and Bloomberg terminals ESG data to compare and contrast traditional anayst outcomes with ESG informed analyst outcomes. Competitions are always a fun wan to move the needle and find innovative solutions that can come from students. My default approach, and by no means is this the solution, but leveraging Integrated Management for how sustainability creates value across disciplines and for any business is how I am trying to move the needle in my own courses and our MBA program curriculum. When needed, let me know how and entire MBA program can help can help to create the transformational change that is necessary? sroufer [at] duq [.] edu

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