



Reprinted from *Future of Work Agenda*  
November 2009

## Feature: The Triple Bottom Line

*Charlie Grantham and Jim Ware*

This is the third part of a six-part series on Business Community Centers<sup>tm</sup> (or “BCC’s”—see “[Business Community Centers as Third Places](#)” for a detailed description of the concept and our basic business model).

In September we discussed the forces driving the economy towards less complex, smaller work organizations (“[Social Forces Driving a Simpler Way of Working](#)”). Then in October we took on the rules of industrial economics (“[The Dismal Science Dives into a Dismal Swamp](#)”), while this month we lay out just how we think commercial success will be measured, and managed, in the 21<sup>st</sup>-century post-industrial society. The principle of the “Triple Bottom Line” forms the basis of the business model embodied in BCC’s.

The triple bottom line measures not only financial performance, or profit, but also incorporates reliable measures of environmental impact (planet) and community impact (people). It brings together what traditionally were called economic success, sustainability, and community development.

But before we dive into the details, here’s a little history.

The term “Triple Bottom Line” was coined in 1987 by the Bruntland Commission in Europe ([http://en.wikipedia.org/wiki/Brundtland\\_Commission](http://en.wikipedia.org/wiki/Brundtland_Commission)). It was subsequently popularized by John Elkington (an environmental activist) and came into common use in 1998 with the publication of Elkington’s [Cannibals with Forks: Triple Bottom Line of 21<sup>st</sup> Century Business](#) (link is to Amazon.com).

Elkington holds that for a business to be sustainable over time (think seven generations as a time scale), it not only has to make a profit that can be re-invested in the growth of its customer market, but it also has to re-invest in order to preserve both its environment and its social capital—so it will have a future labor force when it needs one.

That’s a Big Thought, so let’s break it down a bit. Investing in the environment means not only supporting the community where actual production takes place but also the places where raw materials are harvested and the environment where the end products or services are actually consumed. For example, a Chinese auto manufacturer’s environmental impact encompasses not only where the coal and

iron ore is extracted and where the factory is, but also all the urban landscapes where the cars are ultimately used.

Investment in “social capital” sounds like a lofty goal best left to the philanthropists and government social service agencies. Actually, however, it is a rather simple equation. If a company doesn’t invest in developing the next (and succeeding) generations there won’t be anyone to create/build its widgets, nor will there be enough prospective customers to consume those goods and/or services.

The economic and social changes we talked about in our earlier articles represent a realization that this task can no longer be faithfully entrusted to our public sector organizations or the largess of a very rich few at the top of the economic pyramid. Everyone whines about the dysfunctional state of our educational and health care systems in the United States, but we believe the problem runs far deeper than that.

So what’s a sane person to do? Our answer: Invent a new business model that integrates profit, planet, and people. One of the significant problems in the current reality is that we don’t have financial accounting systems that are capable of capturing these very different performance metrics.

When we began designing **Business Community Centers (BCC’s)** as a stand-alone business we realized we would have to develop proxy measures for some of these factors. Here’s what we came up with:

<b>Triple Bottom Line Performance of BCC’s</b>		
<i><b>Factor</b></i>	<i><b>Metric</b></i>	<i><b>Definition</b></i>
Profit	Standard Financials	Extended to the larger community. For example, what’s the economic impact of creating one more job?
Planet	Environmental Impacts	Currently we measure the lessening of “bad” impacts such as reducing carbon footprints, recycling etc.
People	Increases in Social Capital	Protection of the labor force such as “fair trade” policies and direct investments in the “employability” of workers and community residents.

Sounds good. How do you do it? First, you need a totally open accounting system so everyone in the organization knows what is happening. And, yes, that includes salaries, benefits, and total compensation—the “[open book](#)” approach. Next is translating each of the metrics into measurable indicators. Each firm is unique, and each market is different, so there has to be a negotiation process among members of the organization. However, the top the senior executives must be responsible for finalizing measurements and reporting them to the Board of Directors.

For example, the “planet” or environmental metrics could include measures of recycling; reductions in paper use; and, of course, carbon footprint impacts. Each of these dimensions then requires an “accounting” system to be put in place to track your performance over time.

Measuring people impacts shouldn’t be that difficult. Cash contributions and volunteer time commitments to local community efforts are becoming standard items. However, more creative firms are beginning to track things like the number of local jobs created, investments in internships for local college students, and executive sabbaticals to local non-profits. The point is that the performance indicators are being consciously (and transparently) established, tracked, and reported on a regular basis.

Okay, that’s fine, but how does this “TBL” practice translate into attracting investment and pleasing shareholders? We actually believe that is the wrong question. “Shareholders” is a rather restrictive term—a hangover from the old paradigm of seeing external financial investors as the only source of “capital” for a firm. We suggest expanding that idea to include “stakeholders,” many of whom will be external to the firm, such as residents of the local community.

We submit that a firm employing a triple bottom line approach will be more attractive to a community than one that is not so oriented. And that increased attraction can be translated into business location incentives (more on that topic next month). That means tax incentives, sponsored training programs, rent reductions, and marketing support through local branding. Each of these factors can have a direct financial impact on a business. And that financial performance improvement makes a TBL firm more attractive to traditional financial investments.

What’s really needed to make this new perspective real is a creative way of putting those “community assets” on a firm’s balance sheet. And that brings us right back to our original point. This evolution in performance measurement and management is all a work in progress. Our prototype Business Community Center™ in Prescott, Arizona (see “[WDC Selected to Launch a New Work Center](#)”

for details), is the living laboratory where we are experimenting with the “How do you do it?” part of the equation.

We are out of space for this month (seems to happen to us all the time). If you are interested in exploring these ideas in depth please contact us about our new “Private Client Network” where we dig deeper into these topics. Next month we’ll talk about “Location, Location, Location” and shed some light on *where* we think this revolution is going to happen.

[Please send your comments directly to us.](#) We look forward to learning from you.

### **About the Work Design Collaborative and *Future of Work Agenda***

*Future of Work* is a global network of resources – practitioners, thought leaders, researchers, and senior consultants – who are committed to building and implementing physical, social, and technology-based work environments that are cost-effective, socially and environmentally responsible, and personally satisfying.

We are focused on defining the future of work and helping our members and clients achieve new levels of workforce and workplace productivity. *Future of Work* produces and distributes management tools, surveys, benchmark databases, white papers and technical reports, conferences and workshops, newsletters, books and articles, and public presentations on the changing nature of work. The Work Design Collaborative, LLC, provides leadership and infrastructure services for the *Future of Work* community.

*Future of Work Agenda* is a free monthly electronic newsletter produced by the *Work Design Collaborative*. To sign up for a subscription to *Future of Work Agenda*, please go to: [http://www.thefutureofwork.net/news\\_newsletter\\_register.html](http://www.thefutureofwork.net/news_newsletter_register.html).

Direct inquiries to either Charlie Grantham at [charlie@thefutureofwork.net](mailto:charlie@thefutureofwork.net), or Jim Ware at [jim@thefutureofwork.net](mailto:jim@thefutureofwork.net).