

# Requirement of Interlinked Equilibrium Interface among Triple Bottom Line (TBL) aspects for Sustainable Corporate Performance (SCP)

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**Abstract** - Over several decades social and environmental factors enormously impacting our business in complex way. This study identifies, evaluate and synthesizes the exigency of “Triple bottom line” (TBL) aspects into modern business practice for attaining Business Sustainability (BS) or Corporate Sustainability (CS). A comprehensive review of the relevant literatures was conducted and it revealed that all the TBL aspects namely: (i) Corporate Financial Performance (CFP), (ii) Corporate Social Performance (CSP) and (iii) Corporate Environmental Performance (CEP) must be equally taken into consideration for ‘Sustainable Corporate Performance’ (SCP). The more balanced focus on CFP, CSP, and CEP has provided an accounting framework for green business around the world in order to obtain optimal competitive advantage over its peers or rivals in terms of sustainability. Furthermore this paper presents potential Key Performance Indicator (KPI) that control, measure and monitor sustainability performance in financial, social and environmental aspects. Lastly the researchers in the field of management, business and sustainability should consider the positive correlation between “Triple Bottom Line” and “Sustainability” for future endeavor.

**Keywords** - Triple Bottom Line (TBL), Corporate Financial Performance (CFP), Corporate Social Performance (CSP), Corporate Environmental Performance (CEP), Sustainable Corporate Performance (SCP), Key Performance Indicator (KPI).

## I. INTRODUCTION

The considerable shift in traditional business practice to modern business practice has raised plethora of concern regarding performance of Human capital and Natural capital instead of focussing solely on financial performance of an organization. Our traditional view of business practice called Bottom Line (BL) theory was based exclusively on profit-making aspect that signifies “Corporate Financial Performance (CFP)”. By considering the society and nature dimension, John Elkington introduced the modern way of conducting business by metamorphosis the traditional BL theory popularly known as “Triple Bottom Line (TBL)” or commonly “Three – P” dimensions includes Profit, People and Planet. TBL signifies (i) Corporate Financial Performance (CFP) as profit aspect of business, (ii) Corporate Social Performance (CSP) as people aspect of business, and (iii) Corporate Environmental Performance (CEP) as planet aspect of business respectively. This paper examines interface among TBL aspects “(CFP, CSP, and CEP)” leads as “Sustainable Corporate Performance (SCP)” or “Sustainable Business” or “Green Business” for future perspective. TBL places an equal level of importance on

each of the three bottom lines: this brings more balance and coherence into the construct [1-4].

The purpose of the present study is to examine and evaluate the balanced SCP and significance of potential Sustainable Performance Indicators (SPIs) popularly called Key Performance Indicators (KPIs) in CFP, CSP, and CEP. For SCP numerous studies have explored sustainability KPIs and investigated their usefulness [5-8]. However selection of KPIs selection depends on the types of corporate and its long term aim or goals. Furthermore, this review intends to bring a better understanding to the field of sustainability and necessity of TBL aspects in order to attain optimal corporate sustainability. Finally in this context, it is essential for corporate to equilibrium integrate their long term strategy with TBL aspects in order to gain competitive advantage and therefore create sustainability value.

Thus, this review paper contributes in advancement of TBL aspects, business sustainability and provides insight and understanding. While selecting the literature, exclusively up-to- date publication were taken into consideration. The paper is divided into different sections and each section is considered separately to explain the

significance of each dimension. This paper end-up with a brief conclusion and future scope recommendations for the research scholars working in the field of business, management and corporate sustainability.

## II. PURPOSE OF THE PAPER

a. Firstly, to understand the importance of TBL aspects CSP and CEP in addition to CFP.

b. Secondly, to identify, evaluate and synthesize the KPIs that control, measure and monitor the performance in terms of financial, social and environmental aspects that leads to SCP.

c. Lastly, to evaluate the significance of Venn equilibrium among TBL aspect in relation to being Corporate Equitable, Bearable and Viable performance.

## III. METHODOLOGY

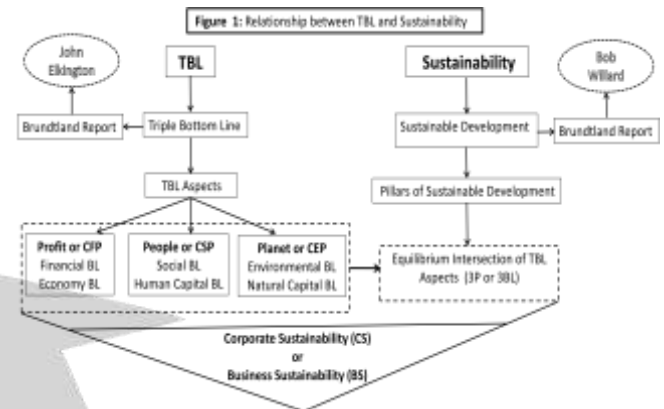
This study is descriptive in nature and both primary and secondary data sources used to obtain required information. The paper is the result of gathering and synthesising of concept from different literatures on TBL and CS. The relevant literature used to frame this paper are obtained from different publishers through Google Search that was connected to the library subscribing to Emerald insight, Oxford Open Access, Google Scholar, ResearchGate, Springer and SAGE publications. The literature review is limited to articles that are easily accessed and closely related with the subject matter. Additionally, we also found the most cited literatures based on references of published literatures in the field and my conceptual understanding.

## IV. EVOLUTION OF TBL AND SUSTAINABILITY

According to modern theories of corporate management, the phrase “Triple Bottom Line” (TBL or 3BL) proposed by John Elkington in 1994 and mentioned concept in form a book “Cannibals with Forks” [9-10]. John Elkington identified the “TBL” as “Three – P” (Profit, People & Planet) that provide an accounting framework for measuring the corporate performance in Financial, Social and Environmental aspects [11]. TBL dimensions summarized as (i) Profit - Corporate Financial Performance (CFP), (ii) People - Corporate Social Performance (CSP), and (iii) Planet - Corporate Environmental Performance (CEP) respectively. On other hand, the origin of term sustainability came into existence long time back over 140 year ago from an idea known as spaceship earth [12]. Evolving over the years, the term “sustainable development” finds considerable gain and familiarity in Brundtland Report published in 1987. The report defined the term sustainability as the “Growth that fulfils the requirement of current generation without compromising the needs of future generation” [13]. The

origin of term Corporate Sustainability (CS) concept mainly also based on the Brundtland Report published in 1987 [14]. Bob Willard, a Canadian author elaborated the concept of Corporate Sustainability (CS) or Business Sustainability (CS) as green business that has minimal negative impact on local or global environment, society and economy – business that endeavor to meet the TBL. In a broader context, CFP, CSP, and CEP demands are considered the three pillars of sustainability.

**Figure 1- Clearly brings out the connectivity between TBL aspects and Sustainability.**



## V. MEASUREMENTS OF TBL ASPECTS

Sustainability is a key consideration for any business, whether they are small sized, medium sized or large sized. Corporate around the globe need to incorporate their financial strategies with social and environmental dimensions. Hence measuring “Suitability Performance Indicators” (SPI) popularly known as “Key Performance Indicators” (KPI) is an essential business practice that allows tracking, managing and controlling the sustainability level of business. Organizations use KPIs to evaluate how effectively corporate achieve key sustainable business objectives in terms of financial, social and environmental aspects.

### 5.1 Measuring Corporate Financial Performance (CFP) or Financial BL

The term “Profit” defines Economic or Financial Bottom line and refers to deals with the economic value or profit created by an organization in a fiscal. It basically defines the growth of the organization and how well it support to economy of the nation. Profits enable business to invest, diversify or expand their operation. Meanwhile when finance is made then the people and the planet can be better taken care of Corporate Financial performance (CFP) defines overall financial health of a company over a given period of time. Moreover, based on the slack resource theory [15, 16], advancement in financial performance in an organization creates massive opportunities to improve social and environmental performance. The recommended Financial Key Performance Indicator (fKPI) for measuring Corporate

Financial Performance (CFP) is calculated from the ratio of leverage, liquidity, solvency and profitable efficiency. In addition of above financial statements such as balance sheet, profit-loss, and cash flow can be utilize for data acquisition and interpretation [17].

## 5.2 Measuring Corporate Social Performance (CSP) or Social BL

The term “People” defines Social or Human capital Bottom Line and refers to sustainable social practice by conducting beneficial and fair business practices to the labor, human capital, and to the community [11]. The welfare and prosperity of the people must be prioritised in corporate policies. People do not refer only employees but also consider stakeholders which include suppliers, distributors, community and workforce where the organization exists. Businesses must have people friendly policies and put structure in place that protect everyone that lies within value chain in accordance with industry standards. The concept of Corporate Environmental Performance (CES) also derives from Corporate Social Responsibility (CSR) refers to company duties or obligation towards the society and social wellbeing. The recommended Social Key Performance Indicators (sKPI) proposed by Orlitzky for measuring Corporate Social Performance (CSP) namely (i) Disclosure approach like annual fiscal reports, (ii) Reputation rating based on stakeholders understanding, (iii) Social audit including CSP-process and observable outcome, and (iv) Managerial CSP-principle and value [18]. However based on different perspective of CSR some of measure identified by Itkonen as sKPI include (i) Fortune, (ii) KLD, (iii) TRI, (iv) Corporate Philanthropy, and (v) Best Corporate Citizen [19]. Similarly, GRI provides guidelines describes social performance indicators consider as sKPI as (i) Employment, (ii) Labor/Management Relations, (iii) Occupational Health and Safety, (iv) Training and Education, and (v) Diversity with Equal Opportunity [21].

## 5.3 Measuring Corporate Environmental Performance (CEP) or Environmental BL

The term “Planet” defines Environmental or Natural capital Bottom Line and refers to sustainable environmental practice. Planet is the place of abode for companies and the people. Limitless consumption of natural resources, Producing hazardous wastage or toxic by-products, Chemical additives and emission of polluting gases are some unassertive role of corporations that severely impact our society and planet wellbeing. Industries are often blamed for playing a major role in contributing environmental concerns, hence conservation is necessary obligation in order to minimise or eliminate the malefic effect of industrial by-products on both living and non-livings [20]. The concept of Corporate Environmental Performance (CES) too derives from Corporate Social Responsibility (CSR) refers to company

duties or obligation towards the prevention and alleviation of environmental damage or to abstain from damaging our natural eco-system. According to ISO 14031, the recommended Environmental Key Performance Indicator (eKPI) are: (i) Management Performance Indicator (MPI), includes cost of environmental damage, number of complaints from public or employees, and number of audit findings (ii) Operational Performance Indicator (OPI), provides information about the environmental performance of an organization’s operations. Like in CFP and CSP, GRI provides guidelines that demonstrate environmental indicators consider as eKPI for organization namely (i) Materials utilization with recycling, (ii) Energy use with saving, (iii) Water discharge, (iv) Bio-diversity, (v) Emissions regulation, (vi) Effluents treatment, (vii) Waste products & services, and (viii) Compliance and Transport [21].

## 5.4. Measuring Sustainable Corporate Performance (SCP) or Corporate Sustainability (CS)

The term corporate sustainability (CS) is extended to include not only the financial aspect, but also include social and environmental aspect of TBL.

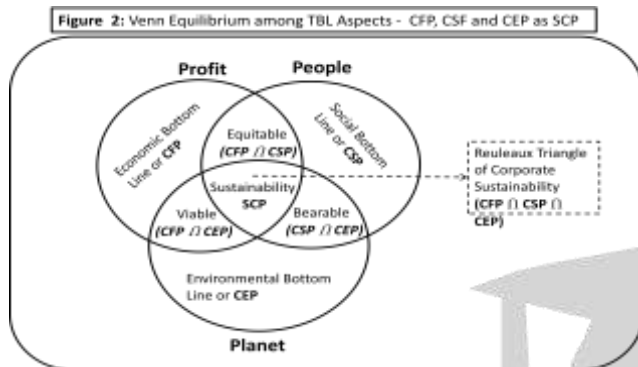
CS encompasses economic, social and environmental dimensions, whereas CSR encompasses only social and environmental dimensions [22]. Hence CS or SCP harmonized or superimpose the performance of corporate in economic, social and environmental aspects to maximise sustainability. Based upon trailing reviews of CSP, CSP and CEP, we propose that Sustainable Key Performance Indicator (SKPI) is determined by maintaining equilibrium amalgamation of financial key performance indicator (fKPI), social key performance indicator (sKPI) and environmental key performance indicator (eKPI) in an optimal way in order to measure CS.i.e.  $SKPI = fKPI + sKPI + eKPI$ . Nowadays as far as CS concerns, most of the companies are being evaluated and rated on their Environmental (E), Social (S) and Governance (G) performance commonly known as ESG. The evaluation of ESG rating of an organization is completely based on comparative assessment of their standard, performance or quality of work on environmental, social or governance issues in a fiscal [23]. ESG data provider third parties are available, who analyze the individual corporate SKPI and generate report and rating accordingly, some noteworthy agencies are: (i) Dow Jones Sustainability Index (DJSI), (ii) Institutional Shareholder Services (ISS), (iii) FTSE4Good Index, (iv) MSCI ESG Indices, and (v) RepRisk [24]. Rating agencies typically make their evaluations based on publicly available information (e.g. from mandatory non-financial disclosures), third-party research, firms sustainability/integrated reports and information on corporate websites [25].



## VI. VENN EQUILIBRIUM AMONG TBL ASPECTS

Venn diagram delineates the intersection of TBL aspects in more logical way. This diagram consist of three overlapping closed curves, usually circles each representing TBL aspect (Profit, People, and Planet). Circles that overlap indicates the commonalities while non-overlap circles exhibit differences among TBL aspects.

**Figure 2: Depicts Venn equilibrium among TBL aspects, explained below:**



### A. (Profit – People) Intersection Aspect

Intersection of TBL aspect (Profit-People) or (Socio-Economic) or  $(CFP \cap CSP)$  popularly known as ‘Corporate Equitable Performance’. Equitable performance leads to eradicate poverty, social inequality and raise the standard of living of the society. Hence Socio-Economic aspects focus on: (i) Business ethics, (ii) Fair trade, and (iii) Employee benefits and rights.

### B. (People – Planet) Intersection Aspect

Intersection of TBL aspect (People-Planet) or (Socio-Environmental) or  $(CSP \cap CEP)$  popularly known as ‘Corporate Bearable Performance’. Bearable performance leads towards a healthier environment and social wellbeing. Hence Socio-Environmental aspects focus on: (i) Conservation policies, (ii) Environmental justice, and (iii) Global stewardship.

### C. (Profit – Planet) Intersection Aspect

Intersection of TBL aspect (Profit-Planet) or (Eco – Environment) or  $(CFP \cap CEP)$  popularly known as ‘Corporate Viable Performance’. Viable performance leads to contribute economic growth with environmental protection in mind. Hence Eco-Environmental aspects focus on: (i) Energy efficiency, (ii) Renewable resources, and (iii) Green technology.

### 6.1 Equilibrium of TBL Aspects: SCP

Intersection of all TBL aspect or (Profit-People-Planet) or (Socio-Economic-Environmental) aspect  $(CFP \cap CSP \cap CEP)$  popularly known as Sustainable Corporate Performance. Subsequently SCP requires proper

synchronization among CFP, CSP, and CEP to attain corporate sustainability.

This signifies in order to achieve SCP; we must find a balance between the three pillars in relation to being **Equitable, Bearable and Viable**. Hence SCP is a business approach that creates long-term employee, consumer and environmental value by creating a “green strategy” that foster longevity for future perspective.

## VII. CONCLUSION WITH FINDINGS

Taking into consideration the growing notability of Sustainability, TBL aspects and its measurable KPIs enhances the way of achieving CS. The current study has extended the past research by clarifying the significance of interlinked equilibrium among TBL aspects for optimal SCP. Firstly the corporate performance will be measured in terms of three aspects CFP, CSP, and CEP. The term SCP is derived from equilibrium interface among TBL aspects that are properly and conveniently synchronized. Secondly, we analyzed the literature to identify, evaluate and synthesize the relevant KPIs to track, manage and control the sustainability level of modern business. Firm use KPIs to enumerate how effectively corporate achieve key sustainable business objectives in terms of financial, social and environmental aspects. Lastly, according to Venn diagram to achieve SCP; we must find a balance between the three pillars in relation to being Equitable, Bearable and Viable. This literature review paper aims to advance on the understanding of TBL aspects and Sustainability fields as studied by scholars of management, business and CS fields.

### LIMITATION OF THE PAPER

Every study has limitations. This study has potential limitation mainly due to lack of previous research studies on the subject matter hence unable to find tons of scholarly paper addressing the topic.

### AREAS FOR FUTURE RESEARCH SCOPE

Future research in this area would be proceed in multiple directions after considering the study, however a potential avenue for scope of further research would be on challenges of implementing TBL into modern business practice of corporate sustainability. Further more research would be on transformation from corporate TBL reporting to QBL reporting and its driver for future point of view.

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## DECLARATION OF CONFLICTING INTERESTS

I hereby declared that, no potential conflict of interest with respect to the research, literature review and publication of this article.

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