

# Triple Bottom Line (TBL): Extension, Driver and Challenges

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**Abstract** - This paper attempts to elaborate the extended version of “Triple bottom line” (TBL) called “Fourth Bottom Line” popularly known as “Quadruple Bottom Line” (QBL) in advancement of Sustainable Corporate Performance (SCP). A comprehensive review of the relevant literatures was conducted and it revealed that QBL as SCP brings prosperity by expanding the boundaries of existing TBL managerial practice. In this context, companies around the world need to integrate their strategies with social, economic, environmental performance with some legal drivers. In this paper we define TBL driver as Corporate Social Responsibility (CSR) and identify some guidelines provided by Indian Company Act, 2013. It comes up with a mandate for large corporate to shell out at least 2% of their three years annual average profits towards CSR activities as an obligatory towards TBL. The primary purpose of this research is to examine corporate sustainability and correlate with the criticism of the TBL approach made in the literature review. Furthermore we also identified feasible challenges of implementing TBL approach into modern business practice for SCP. We seek to explore the criticism involves and conducting a review on corporate sustainability. The main points for analysis are based on the four fundamental principles of QBL (Profit, People, Planet and Purpose), how the corporate reported against principles and challenges observed while implementing in practical way.

**Keywords** - Triple Bottom Line (TBL), Quadruple Bottom Line (QBL), Corporate Sustainability (CS), Corporate Financial Performance (CFP), Corporate Social Performance (CSP), Corporate Environmental Performance (CEP)

## I. INTRODUCTION

Over the past few decades there was a remarkable growth in reference to Triple Bottom Line (TBL) aspects, sustainability, and Key Performance Indicators (KPIs) for Corporate Sustainability (CS). TBL aspects including Financial, Social and Environmental performance in the communities in which the business operates can create a major influence towards sustainability [1-2]. The term Quadruple Bottom Line (QBL) also popularly called “Fourth Bottom Line” is an extended version and derived based on TBL which was initially addressed by John Elkington in 1994, adopted by businesses to measure and report their progress beyond the financial bottom line [3-5]. QBL approach focuses not only three TBL aspects (People, Profit, and Planet) but also it added new forth aspect called ‘Purpose’. Hence the fourth bottom line provides an additional opportunity for companies to express a clear ‘Purpose’ in advancement of ‘Planet’ and ‘People’ wellbeing. TBL and QBL both are a way of thinking for CS. Moreover, many corporate agree with TBL importance for gaining sustainability although on other hand many disagree with TBL approach and criticized with actual feasibility in modern business practice. This paper attempt to identified, evaluate and

summarize the feasible challenges of implementing TBL aspects into modern business practice for CS. The paper is based on the analysis of the subject matter literature and provides insight and understanding. While selecting the literature, the up-to- date publication were taken into consideration.

The paper is divided into different sections and each section is considered separately to explain the importance of the dimensions. This paper end with a brief conclusion and few recommendations for the researchers working in the field of business, management and corporate sustainability. Thus, this review paper contributes in the advancement of TBL aspects, management and business sustainability.

## II. PURPOSE OF THE PAPER

- Firstly, to evaluate the significance of Purpose aspect of QBL in addition of existing TBL aspects.
- Secondly, to understand the importance of TBL driver (CSR) for conducting TBL operation.
- Lastly, to identify, evaluate and synthesize the feasible challenges observed while implementing TBL in modern business practice for corporate sustainability.

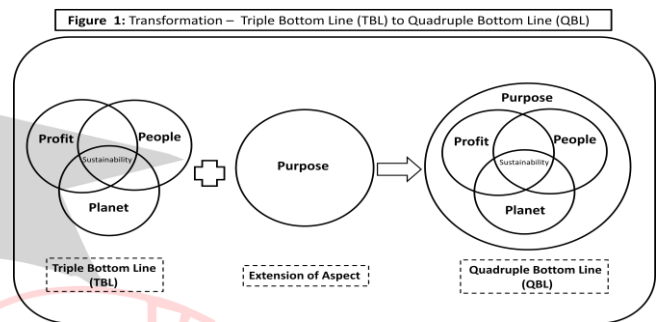
### III. METHODOLOGY

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, QBL 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. TRANSFORMATION: TBL TO QBL

The foundation of the concept Triple Bottom Line (TBL or 3BL) was first introduced in Brundtland report in 1987. TBL provides an accounting framework for measuring the performance of the business and the success of the organization using three bottom lines (3BL): Financial, Social and Environmental [6]. In addition to that, Quadruple Bottom Line acronym by QBL popularly known as “Forth Bottom Line” focuses on sustainable business practice and the term was derived based on Triple Bottom line (TBL). TBL had three value grounds: economic (profit), social (people), environmental (planet) aspects of value creation and the QBL have an extended new ‘P’ for ‘Purpose’ [7]. The first bottom line signify the ‘What’ and raises the question ‘what we will get?’ usually measured by ‘money’. The second and third bottom lines signify the ‘How’ and raise the question ‘How we will do this?’ usually measured by trust and integrity without harming people and ecosystem. Similarly the fourth bottom line describe the ‘Why’ that raise the question ‘Why we doing this?’ Factor measured by deeper sense of ‘choice’ or intend. The Term QBL was first introduced by Ayman Sawaf. QBL measures business accountability and the responsibility from the aspects of economical (profit), social (people), environment (place) and spiritual (purpose) and create awareness of the entire setoff values, problems and processes that an organization needs to concern in order to minimize the harmful effects resulting from its activities as well as constructing economical, social, environmental and cultural values in order to deliver benefits to all the stakeholders [8]. TBL oriented company consider not only fiscal gains and losses but also the environmental and social losses and benefits that result from their business operation. Hence TBL oriented companies raise question, “How company minimize the social and environmental damage along with maximum financial gain in order to attain business sustainability?” However more recently there is growing movement of entrepreneurs asking a different question, “How we

develop a product that intentionally produce to improve our profit, eco-system and society where we live”? The fourth bottom line called QBL provides an opportunity for companies on creating business models that intestinally designed to improve the health of planet and community wellbeing in addition of economy growth. These companies are popularly termed as QBL oriented firms. They focus on People, Profit, and Planet but also added Purpose. QBL comparatively more logical approach designed to increase organizational intelligence and achieve greater alignment with TBL, hence reflect balanced advancement in organizational performance [9]. Also the QBL also takes into account the effects for future generations whereas the TBL only takes into account the current impact. **Figure 1:** clearly brings out the transformation of TBL to QBL.



### V. TBL DRIVER: CORPORATE SOCIAL RESPONSIBILITY (CSR)

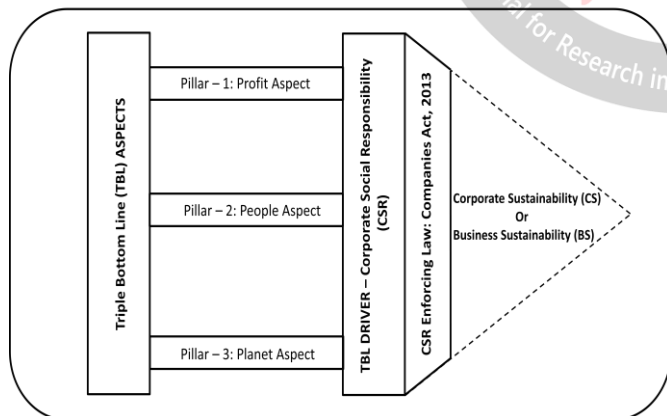
The term Corporate Social Responsibility is abbreviated by CSR popularly known as ‘Sustainable Business’ and ‘Corporate Citizenship’. The concept of CSR evolved mainly in the western countries, most notably the United States of America. Most of the CSR theories admit that the foundation of the idea comes from TBL concept. CSR today embraces the TBL concept. CSR encourages the corporations to take more objective look at their impact on people and planet, rather than focussing on profit alone. CSR is an evolving business practice that incorporates sustainable development into a corporate business model. It has a positive impact on financial, economic, environmental and cultural factors. CSR also helps company to make brand name towards its customers and also boost the goodwill & growth amongst the general public. CS encompasses economic, social and environmental dimensions, whereas CSR encompasses only social and environmental dimensions [10]. Hence we consider CSR as a driver or pillar for implementing TBL concept in organization. The Indian Companies Act, 2013 incorporates CSR clauses provide more clarity on socio-environmental fields and a favourable commitment towards TBL approach.

#### 5.1 CSR Enforcing Law: Companies Act, 2013

In India, CSR was introduced through section 135 of the Companies Act of 2013 which prescribes mandatory

provisions for certain large and stable companies to fulfil their fiscal CSR expenditure. A unique key feature of CSR is its voluntary nature in contrast to the involuntariness imposed by law [11]. Nevertheless, it is evident that mandated CSR is a new area of study that has its own dynamics, and is different from voluntary CSR [12]. Ministry of Corporate Affairs (India) has made CSR mandatory for certain large and stable companies from 01.04.2014 as per provisions of section 135 of companies Act 2013. Applicability of CSR including every company including its holding and subsidiary company having (i) Net worth of INR 500 crores or more, (ii) Turnover of INR one thousand crores or more, (iii) Net profit of INR five crores or more in a financial year. In every financial year companies need to spend, atleast 2 % of the average net profits of the company made during the 3 immediately preceding financial years in pursuance of the policy. Now the section 135 of the companies act has amended to provide specific penal provision in case of “non-compliance” of norms. After the amendment, violation of CSR norms will face a penalty for company and defaulting officers ranging from INR 50,000 to INR 25 Lakh, with officers liable for imprisonment of up to 3 years as per the provision in the companies Amendment Bill, 2019. In addition to that, any unspent amount will have to be deposited into an escrow account within 30 days of the end of the fiscal. This amount will have to be spent within three years from the date of its transfer, failing which it will be put into a fund, which could even be the Prime Minister’s Relief Fund. **Figure 2:** clearly brings out the relationship among TBL aspects (3P), TBL Driver (CSR), and Corporate sustainability (CS).

Figure 2: Relationship among TBL Aspects (3P), TBL Driver (CSR), and Corporate Sustainability (CS)



## VI. CHALLENGES IN ADOPTING TBL

TBL oriented businesses, designed not only to make profit, but also do work that benefits the employees, customer, communities and environmental wellbeing. Many people agree with the importance of good social conditions & preservation of environment necessary for sustainable corporate performance but many who disagree with TBL aspects. The nature of TBL also poses significant challenges to the companies summarizes below:

### 6.1 Challenge # 01: Complexity of TBL

The inherent complexity of sustainability assessment by considering the TBL gives rise to variety of challenges that should be addressed logically. TBL is complex approach thus the matrices for sustainability dimensions cannot be easily implemented. The major complexity associated with its costly and time consuming nature. Corporate must take budget, manpower, resources and time to enforcing the TBL approach in practical way. In addition of above, corporate need to build capability for CSR operations including knowledge, skills and process relating to planning, implementation, and evaluation of CSR activity [13]. Corporate are trying to be more sustainable want to adopt the TBL, however having no idea how to track their progress since TBL does not provide specific guidelines and criticized as vague model.

### 6.2 Challenge # 02: Quantification of TBL

Social and environmental performance is unique to each corporation or at least industry, and is difficult to quantify [14]. There are two main claims about TBL that are central to the criticism of TBL [15]: (i) Measurement claim states that a company may quantify financial aspects such as earnings, revenues and costs however it is difficult to quantify social, environmental aspects. It is difficult to quantify the People and Planet accounts in the identical phrases as profit – in term of monetary value, this signifies three separate accounts (profit, people, and planet) cannot be easily added up. (ii) Aggregation claim states that TBL approach has lack of ability to aggregate the results and secondly it does not provide method or formula that can aggregate across the TBL principles. In addition of above the major challenge is to measure intangible assets such as people satisfaction, eco-system wellbeing associated with business. Furthermore the objectivity and reliability of the values obtained through measurement is also doubtful. More attention should be paid not only ‘how to measure’ but also ‘how reliable are value once obtained’. It is a complex tool; in particular there are no precise measurement tools for each aspect to measure and control performance. Hence lack of objectivity and reliability found in TBL aspect measurement.

### 6.3 Challenge # 03: Lack of Integration thinking

TBL mentioned the need for integration between the economic, social, and environmental areas as this provides a better picture to the community in terms of impacts [16]. However the integration between the three dimensions of TBL will be hard as people are trained to be experts in each of the three dimensions and not across all of them and this leads to the data collection within each area separately [17]. According to which, every single firm or organization measures TBL indicators separately but there no unification system or method available to merge or tie

up the performance together to produce single entity. This is perhaps the fundamental flaw in TBL reporting system.

#### 6.4 Challenge # 04: TBL as legislative mechanism

Implementation of TBL approach in being carried out with a driver commonly known as CSR. On April 1st, 2014, India became the first country in the world to introduce statutory corporate social responsibility (CSR) through the new Companies Act, 2013. The section 135 of Companies Act makes it mandatory for corporate to spend at least 2% of their average net profit made during the 3 immediately preceding financial years in pursuance of the policy. There is debate on 'should CSR be mandatory'? EU and World Business Council for sustainable development focus to promote a voluntary approach rather than compulsory approach to CSR on other hand France, Denmark, South Africa and China have mandatory obligation on the amount spend on CSR activities. According to critics, large scale companies, MNCs and corporation can perform their CSR responsibilities as they have sufficient capital availability however the scale companies cannot perform CSR well because of heavy burden of capital load. Furthermore question is raised why we perform CSR where at the same time even our same rivals or competitors are no longer to do CSR obligation. Similarly on other hand some people criticized that if there mandatory provision on CSR, then corporate would deliver what the law requires but never more.

#### 6.5 Challenge # 05: Purpose and Time Dimension

In current scenario both Purpose and Time dimensions plays a significant role in long term Corporate Sustainability (CS). TBL oriented companies finds a major challenge to overcome from both constraints. However later on QBL oriented firms provides means to measure and access the addition of culture, spirituality and faith in reporting generally expressed by Purpose aspect. Therefore we can express QBL as Profit, People, Planet and Purpose. i.e. (QBL = TBL + Purpose). Both TBL and QBL fail to explicitly address the Dimension – Time. The Time dimension focuses on preserving current value in all other three aspects (profit, people and planet) for later. This means assessment of short term, longer term and long term consequences of any action [18]. In addition to that, it becomes difficult to superimpose the results of TBL in short term and long term basis because of huge result variation in both areas.

### VII. CONCLUSION WITH FINDINGS

The current study has extended the past research by clarifying the evolution of QBL from TBL, significance of CSR driver for conducting TBL operations, and the feasible challenges observed while implementing TBL in modern business practice for corporate sustainability. Firstly, the fourth bottom line (QBL) is an emerging concept that provides an additional opportunity for

corporate and related entities to express a clear purpose aspect to focus on creating products that are standardized and globalized to improve our eco-system and society well being. Secondly, taking into account the growing popularity of TBL driver called CSR, consider as an optimal way of conducting sustainable business. India has indeed a long way in transforming from voluntary CSR to mandated CSR and became the first country in the world to introduce statutory CSR provision for corporate through the new Companies Act, 2013. Thus, enforcing Companies Act, 2013 will be a game changer and infuse new opportunity for all stakeholders to contribute toward social and environmental development. Lastly, we seek to explore the feasible challenges in adopting TBL approach made in the literature review. We identified multiple shortcomings and it is necessary for corporations to evaluate and minimize them while creating sustainability report. Finally, this paper does not provide answer to all things, debates and gaps in the area of TBL and sustainability; instead it acts as a vehicle to carry the knowledge, contribution and outcomes based on past literature.

### VIII. 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.

### IX. 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 how to overcome the challenges of implementing TBL into modern business practice for corporate sustainability. Further more research would be on QBL implementation 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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