The sustainability paradox and the True Triple Bottom Line

By Peter Szyszka, October 2017

The Triple Bottom Line (TBL) of corporate responsibility, a term coined by the British CSR thought leader John Elkington (1994), is a significant component of the sustainability discussion. The standard short definition of the three principal objectives of corporate responsibility states that companies should run their business in a socially and environmentally responsible manner, and in doing so achieve financial success. Figuratively speaking, a definitive triple line should be drawn under the company's profit and loss statement, which includes environmental and social commitment. As popular and as logical as this approach seems at first glance, there is a fundamental flaw in the reasoning.

The sustainability paradox

In the classic and often cited understanding of Carlowitz's forestry sustainability (1713), sustainability means not taking more out of a system than is necessary for its regeneration. This is the only way it can be viable and exist long-term. The conventional wisdom on environmental and social sustainability is familiar in that sense: nature and humanity should not contribute more than they get in return for self-preservation. On the surface that seems consistent with economic sustainability, too: A company can and should not invest more than it will actually get in return. Anything else would contradict the principles of economic management. However, what appears to be correct from an economic standpoint is incorrect from a sustainability perspective. A closer look raises the question of why the discussion revolves around environmental systems when talking about social and economic sustainability, but on an economic level the dialogue is all about the company itself? Why is the economic environment of a company ignored? What about the question of economic sustainability? In this case, the give and take principle between company and social domain should also apply. The explanation seems simple. At this juncture, the inside-out vantage point of corporate planning takes precedence over the outside-in perspective. The basic idea is that a company must be able to afford sustainability.

Uncomfortable sustainability issues

To be precise, if sustainability in the spirit of Carlowitz is thought through completely then economic sustainability must refer to the correlations between the economy and its subsystems. Companies taking advantage of the social infrastructure are then obliged to perform a suitable service in return for their continued existence and need to be measured on their

performance – an uncomfortable topic in the globalized world of tax havens, cost shifting and losses carried forward, subcontracting, temporary employment and other cost-cutting corporate strategies. Creating new jobs and safeguarding them is one side of the coin, the sociotrope of a community or region whose infrastructure one company uses to withhold trade tax for economic gain, another. Smart models to grow profits have little to do with economic sustainability. On the contrary, they offer immense potential for scandal, which the sounding board of the media and net public gratefully uses and carries into the public forum and society.

The mid-sized sector as benchmark

Harbingers of these processes are already visible globally. The refugee situation in Africa is also the result of an insufficient economic sustainability mindset in some corporations – with disastrous consequences for Africa and Europe. And it is only a question of time before these corporations with their visions of economic and social cooperation will face scandals, be publicly exposed and the conditions for economic management will get enormously negatively impacted. The digital world is nothing more than a global village of diverse cultures in terms of communication. Part of the sustainability paradox is that much of what is required in standard CSR regulations for corporate reporting has long been practiced, and must be practiced, by medium sized companies because they are more closely involved with the sociotope, and benefit from its economically driven sustainability. Not only a positive employer image is indispensable here, but also a high quality of infrastructure and good relationships for development and expansion.

New sustainable development mindset

This "new sustainable development mindset" is basically nothing new. Nor is the criticism of TBL. For example, in 2004 Norman & MacDonald considered the concept misleading and nothing more than a "good old-fashioned single bottom line plus vague commitments to social and environmental concerns" (pg. 255), but in principle did not challenge the sustainability approach. Sustainability thinking calls for a radical and consistent paradigm shift. The well-known formula "People (social) + Planet (environment) = Profit (economics)" is incomplete. Society and the economy need companies and vice versa: "People" means human value and "Planet" natural value, but "Profit" must similarly refer to social relationship value. It is a matter of give and take at all three levels. Together, they determine the economic conditions because they impact the company as environmental and influencing factors. Sustainable management is an end in itself then, and not goodwill. It is based on a business policy that consciously deals with resources, people, environment and economics as these, safeguard their economies and future viability in the first place. As with profitability, it is all about risks and opportunities. These should be the real focus of current sustainability reporting – comparing

the economic internal view with the social external view of the company and providing accountability for economic possibilities and limits in the context (corporate sustainability) of interactions with people, environment, and the economy.

Value added not (yet) understood

Only those with a leveled balance sheet in these TBL areas will be able to survive long-term with prospects in the market and society. Shortfalls on the profit side are just as problematic as surplus. Because if the arguments about profit-making are scaled back, acceptance is questionable and scandal-mongering probable. At this point social risk management comes into play. Of course, power also has a key role in this context. It is not by chance that in the framework of sustainability reporting realignment that corporations consider something prescriptive that is already the norm in medium sized companies. That guidelines such as the German Sustainability Code leave precisely this strategic dimension open and instead only codify established social behavior, is the result of successful lobbying by the corporations concerned. But this also reflects the fact that corporations have not (yet) understood the added value of a forward-looking sustainability commitment in their corporate policy. The big and powerful can selectively prevent competition and sanctioning. But the security gained is deceptive, as energy companies in Germany learned painfully and as the automobile industry is currently experiencing. Sustainability strategies call for a far-sighted awareness of how to safeguard against this – actually what a corporate policy should achieve.

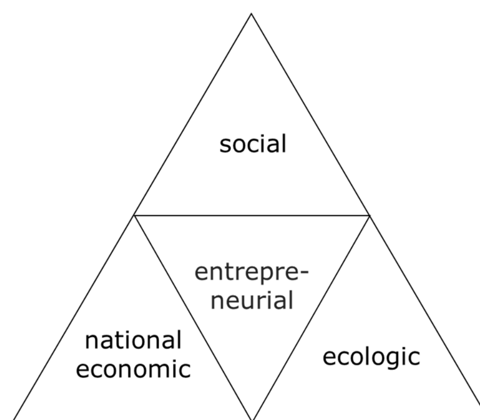

Fig. 1: Corporate Sustainability Triangle

New Triple Bottom Line Model

Literature provides a variety of graphic illustrations for Elkington's three pillar model of sustainability (1998). The model of the segmented triangle selected here for the modified approach (Fig. 1) offers the potential to place entrepreneurial sustainability as an essential but abstract 'intangible' inner triangle at the core around which the three triangles of social, national economic and ecologic sustainability activities are grouped. Entrepreneurial sustainability is corporate sustainability, and in this way it's more than the sum of these parts. At the same time, this means that sustainability activities are oriented toward middle and long-term business benefit determined by earnings capacity and social competency: only those who are socially acceptable can have a profitable bottom line because sufficient relationship value (acceptance, appreciation, willingness to cooperate) is a prerequisite. For the new triple bottom line this means there is no longer a need to draw two additional bottom lines. On the contrary, first the two results (balance sheets) are placed next to one another under each of which a bottom line is drawn: the classic financial account as a business sustainability balance (internal perspective), which provides information on earnings capacity; and the social sustainability account (external perspective) that provides information on integration capability. A final third line is drawn under the comparison of real value and relationship value that defines the correlation of these two sides and provides information on the future sustainability of the company (Fig. 2).

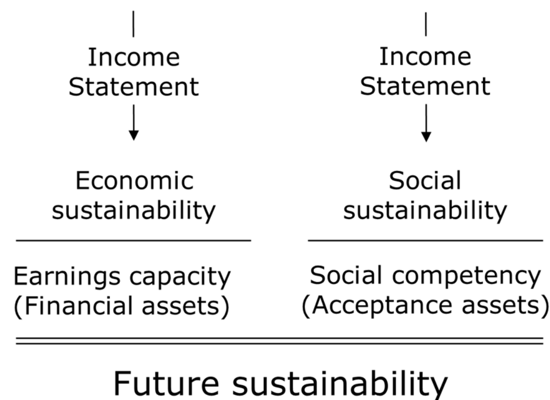

Fig. 2: Triple Bottom Line of modern sustainability impacts