

It's Time to Embrace the Triple Bottom Line

Forward-looking companies are building their success on decisions that work for people, profits, and the planet.

By Jake Gentry

The Challenge

In the early days of corporate social responsibility (CSR), most programs were not aligned to a central core strategic framework; operating in a vacuum with little connection to strategic business decisions, daily workplace realities, or any material return on investment.

Today, a growing number of customers, shareholders, and employees want to buy from, invest in, and work for companies that instill social and environmental responsibility into every aspect of their products and services, as well as generate a measurable positive impact. These stakeholder groups wield growing influence: A recent CSR survey by Cone Communications found 87 percent of Americans will purchase a product because a company advocated for an issue they care about. Through the megaphone of social media, active boycotts and vocal alternatives are only a digital heartbeat away.

In this light, business decisions that are singularly focused on financial gains leave substantial social and environmental value on the table. They also introduce the multi-faceted risks of inaction. Consider: Risk evaluators are now embedding climate-change risk into creditworthiness assessments. And the world's largest asset management firm has publicly declared a new emphasis on the social/environmental responsibility of its portfolio. This is serious business driving customer loyalty, employee retention, regulatory compliance, and operational effectiveness.

Leveraging the triple bottom line model CSR programs can serve as a guide in not only boosting the bottom line, but in driving customer loyalty, employee engagement, regulatory compliance, and operational effectiveness. The triple bottom line seeks to broaden the focus on the financial bottom line to include social and environmental aspects as well, measuring

a company's degree of social responsibility, its economic value, and its environmental impact.

Companies that rise to meet their stakeholders' expectations are realizing strong social and environmental values can drive long-term financial prosperity and sustainability. One company successfully leveraging the triple bottom line is outdoor clothing manufacturer Patagonia.

As part of its CSR program, in 2011, Patagonia published a full-page ad in the New York Times titled "Don't Buy This Jacket," encouraging customers to minimize their consumerism and environmental footprint during the holiday season. In 2017, they committed 100 percent of all global sales from Black Friday to grassroots causes associated with the outdoor industry. During roughly the same time period (2008-2014), [profits tripled](#). Patagonia has exemplified how triple bottom line business models can drive extraordinary profits, with world-renowned employee engagement and customer loyalty that continues to thrive, all while reducing risk through social and environmental responsibility/innovation.

Change your lens, grow your value

The triple bottom line model can be applied in every industry and every aspect of the organization — including governance structure, pay and benefits, employee training, supplier management, operational efficiency, business values, community engagement, and more.

If your organization is striving to embed social and environmental values into all you do, here are a few steps you can take to incorporate the triple bottom line model into every decision.

Understand the many ways triple bottom line decisions can add new and sustainable value

The value proposition of the triple bottom line is deep and wide. Take a closer look at what it can mean to your organization and start building awareness among your decision makers who can leverage it throughout numerous initiatives including:

- » **Customer experience and loyalty.** Public attitudes and consumer preferences toward companies that embrace equity, community engagement, impact investing, purpose-driven business, and shared values are becoming routine. Leverage your values and responsible business practices to differentiate from your competitors and align with your customers' values and growing expectations.
- » **Employee engagement.** Social and environmental responsibility increases employee engagement, retention, and recruiting for top talent. Cone Communications' 2014 study revealed CSR influences 78 percent of millennials in their choice of employer.
- » **Regulatory implications.** Local, state, and federal laws increasingly include policies that regulate diversity, equity, the environment, and fiscal responsibility. Triple bottom-line decisions are in sync with these policies. As an example: Carbon pricing policies are becoming more prevalent in states across the U.S. Regardless of federal decisions, National Geographic reports [over 50 percent of the U.S. economy](#) has agreed to the Paris Climate Accord, including more than 200 cities.
- » **Cost reduction and process optimization.** Reducing waste of all kinds is a fundamental way to increase profits and reduce environmental impact in creating a product or service.
- » **Equity, diversity, and inclusion.** For good reason, there is growing scrutiny around pay equity across gender, race, and ethnicity, as well as a growing movement to ensure all employees have access to the same opportunities and workplace experience. As an example, the #metoo movement and surge in reports of sexual misconduct has heightened the financial and social costs of inaction across all matters of discrimination, inequity, and harassment. A strong social ethos can reduce these risks by creating a culture of equity.

Drive the triple bottom line into the core of your business model

Determine the key objectives and outcomes you want to achieve, then establish a long-term strategy that will drive triple bottom-line thinking deep into your business model. To do so, determine what you want your organization to look like in five years. Develop a plan that supports long-term financial prosperity while achieving your social and environmental values. Share the plan. Spread the word. Develop training to

ensure your employees understand the impact of everyday business decisions. Showcase the plan in actions large and small. Be transparent and stay in touch with key internal and external stakeholders to build awareness and keep aligning decisions with triple bottom-line values.

Develop an impact framework that will connect your actions to those strategic outcomes. Consider key market drivers such as customer loyalty, regulatory compliance, employee engagement, and process optimization. Use them as a starting point to design and launch a strategy to achieve your triple bottom-line objectives. A quality impact framework focuses on material aspects: customers, community, people, and the organization. The impact framework provides a methodical approach to link strategic, targeted outcomes with specific activities and actions to drive long-term value to the organization.

Identify who you impact, and what impacts you

Who do you impact, and how? Take a close look at your stakeholders. Which are most affected by your business model — your employees, customers, suppliers, partners, shareholders, communities? Map out the stakeholders who have a material concern in how your business operates, the consumers of your products/services, and everyone affected by its day-to-day operations. A thorough stakeholder analysis can uncover unintended negative impacts that you can address with triple bottom-line decisions.

What impacts your organization? Conduct a materiality analysis. What is most material to your long-term success? How can you manage these critical aspects in ways that have a positive social and environmental impact? Understanding the nexus of business and community needs is where organizations can provide the greatest value to the communities in which they operate — not only in dollars, but also in human capital, knowledge transfer, and intellectual property.

Embed a triple bottom line lens into routine decision making

Business decisions must align to triple bottom line strategy — this is where it all comes together with financial and sustainable growth without sacrificing social and environmental responsibility.

Growing value with every decision

Instilling triple bottom-line thinking into the operating rhythm of your organization can amplify good times and build a more resilient business, with the social and regulatory equity to buffer the impact of unforeseen risks. You'll find the ROI is financial, social and environmental. And the value of building an enduring brand reputation for doing the right thing? Priceless.