Triple Bottom Line-A Step Ahead On The Way Of Corporate Social Responsibility

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"Making a profit is no more the purpose of a corporation than getting enough to eat is the purpose of life. Getting enough to eat is a requirement of life. Life's purpose, one would hope, is something broader and more challenging. Likewise with business and profit."

Kenneth Mason-Former Chairman, Quaker Oaks Company

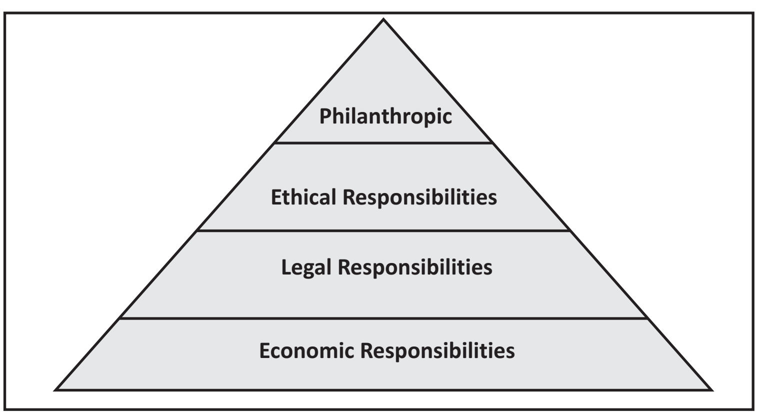
CSR: A HISTORICAL PERSPECTIVE

Neither the concept of CSR, nor the term in India is new. The process, though acclaimed recently, has been followed since ancient times, albeit informally. Philosophers like Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical principles while doing business. The concept of helping the poor and disadvantaged was cited in much of the ancient literature. The idea was also supported by several religions, where it has been intertwined with religious laws. "*Zakaat*", followed by Muslims, is donation from one's earnings which is specifically given to the poor and disadvantaged. Similarly, Hindus follow the principle of "*Dhramada*" and Sikhs the "*Daashaant*". In the global context, the recent history goes back to the seventeenth century when in 1790s, England witnessed the first large scale consumer boycott over the issue of slave harvested sugar, which finally forced importers to have free-labor sourcing. In India, in the pre independence era, the businesses which pioneered industrialization along with fighting for independence also followed the idea. They put the idea into action by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. The donations -either monetary or otherwise, were sporadic activities of charity or philanthropy that were taken out of personal savings, which neither belonged to the shareholders nor did it constitute an integral part of business. The term CSR itself came in to common use in the early 1970s, although it was seldom abbreviated. By late 1990s, the concept was fully recognised; people and institutions across all sections of society started supporting it This can be corroborated by the fact that while in 1977, less than half of the Fortune 500 firms even mentioned CSR in their annual reports, by the end of 1990, approximately 90 percent Fortune 500 firms embraced CSR as an essential element in their organizational goals, and actively promoted their CSR activities in annual reports.

CSR: AN OVERVIEW

In broad terms, CSR relates to responsibilities corporations have towards society within which they are based and operate, not denying the fact that the purview of CSR goes much beyond this. CSR is comprehended differently by

Figure 1 : CSR: A Diagrammatic Sketch



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different people.
According to World Business Council for Sustainable Development, "*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*".

TRENDS IN CSR: FROM CHARITY TO RESPONSIBILITY

An insight into the history of CSR reveals that till 1990s, it was solely dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often restricted themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the efficacy and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been an apparent transition from giving as an obligation or charity to giving as a strategy or responsibility. Review of the case studies and work done on CSR by companies in India suggests that CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

CONCEPTUALIZATION

Now-a-days, corporates are treating CSR as a separate entity and devote attention to it. Most of the corporates have a vision and mission statement often at the corporate level or sometimes at the CSR level that drive their CSR initiative. Deliberations are made to choose specific issues and initiatives. It has been observed that the areas they choose somewhere relate to their core values. Companies today are increasingly sensitive about their social role. The companies not only concentrate on how they will position their product or how they will sell it, but also they have a social strategy because they have started feeling that brands are built not only around good quality of the product; but also around emotions and values that people ascribe to those products. Today, CSR has been understood in terms of accountability where corporates are feeling that they are responsible for the impact their actions have on several stakeholders. They feel that the basic motive of CSR today is to increase the company's overall impact on the society and stakeholders.

IMPLEMENTATION

Moving away from the traditional approach, corporates rather than following top to bottom mechanism are increasingly bearing stakeholders' perspectives in mind, thereby considering CSR as a comprehensive set of policies, practices and programmes that are integrated throughout the business operations. It can thus be deduced that radical transformation is happening with CSR practices across India. The changes happened at conceptual level where charity oriented approach is now being seen as a stakeholder oriented approach and at implementation level, where other important resources except finance are being dedicated, Several innovative programmes in thematic areas of public health, education, environment, microfinance and related areas are being developed. These programmes are developed bearing in mind the local cultural context and the needs of the people. Apart from devoting funds, expertise in terms of knowledge and human resource is also allocated for successful implementation of these programmes. In a growing number of companies, these processes are encouraged and rewarded by top management. The implementation of programmes through a trained resource makes a real difference in the community that has been chosen for implementation.

CORPORATE SOCIAL RESPONSIBILITY IS NOT CHARITY

The originally defined concept of CSR needs to be interpreted and dimensionalised in the broader conceptual framework of how the corporates embed their corporate values as a new strategic asset, to build a basis for trust and cooperation within the wider stakeholder community. Though there have been evidences that record a paradigm shift from charity to a long-term strategy, yet the concept still is believed to be strongly linked to philanthropy. There is a need to bring about an attitudinal change in people about the concept. By having more coherent and ethically driven discourses on CSR, it has to be understood that CSR is about how corporates place their business ethics and behaviors to balance business growth and commercial success with a positive change in the stakeholder community. Several corporates today have specific departments to operationalise CSR. There are either foundations or trusts or a separate department within an organisation that looks into implementation of practices. Being treated as a separate entity, there is always a flexibility and independence to carry out the tasks.But often, these entities work in isolation without creating a synergy with the other departments of the corporate. There is a need to understand that CSR is not only a pure management directive, but it is something that is central to the company and has to be embedded in the core values and principles of the corporate. Whatever corporates do within the purview of CSR has to be related to core business. It has to utilize things at which corporates are good; it has to be something that takes advantage of the companies. It has to be a mandate of the entire organization and its scope does not simply begin and end with one department in the organization. While conceptualization and implementation seem firmly underway, evaluation is still taking a back seat. There is a need to incorporate an evaluation plan, which along with presenting a scope of improvement in terms of fund utilization and methodology adopted for the project, measures the short and long term impact of the practices. While there have been success stories of short term interventions, their impact has been limited and have faded over a period of time. It is essential for corporates to adopt a long term approach rather than sticking to short term interventions, involving the companies and employees in the long-term process of positive social transition. A clearly defined mission and a vision statement combined with a sound implementation strategy and a plan of action firmly rooted in ground realities and developed in close collaboration with implementation partners, is what it takes for a successful execution of CSR. An area that can be looked upon is the sharing of best practices by corporates. A plausible framework for this could be benchmarking. While benchmarking will help corporates evaluate their initiatives and rank them, it will also provide an impetus to others to develop similar kind of practices.

THE WAY FORWARD -TRIPLE BOTTOM LINE

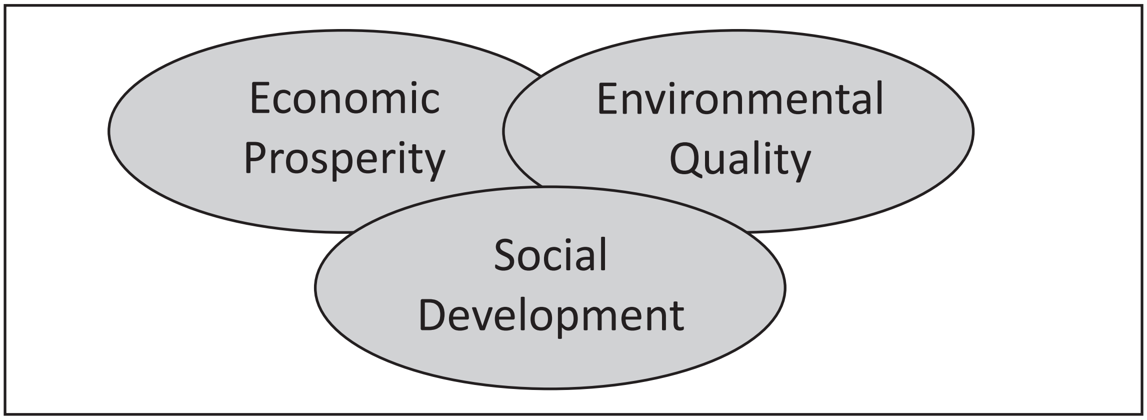
The ***Triple Bottom Line (TBL)*** focuses corporations not just on the economic value they add, but also on the environmental and social value they add - and destroy. At its narrowest, the term 'triple bottom line' is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to minimize any harm resulting from their activities and to create economic, social and environmental value. This involves being clear about the company's purpose and taking into consideration the needs of all the company's stakeholders - shareholders, customers, employees, business partners, governments, local communities and the public.

The triple-bottom line is a term coined by John Elkington and made popular through his book *Cannibals with Forks* (1997), which refers to the three prongs of social, environmental, and financial accountability. It is a term that is finding increasing and widespread international acceptance within the corporate community and one that is informing and transforming corporate reporting practices. It is suggested that businesses need to measure their success not only by the traditional bottom line of financial performance & profit, but also by their impact on the broader economy, the environment and on the society in which they operate. In conducting their businesses, companies use not only financial resources (investment dollars, sales revenues), but also environmental resources (water, energy, raw materials) and social resources (employee's time and talents, infrastructure provided by govt. agencies). Argument is that a sustainable business ought to be able to measure, document and report a positive return on investment across all three bottom lines, as well as showing the benefits that stakeholders receive along the same three dimensions. Basically, triple bottom line (TBL) reporting is meant to capture, describe and measure the impact of the organisation's activities on the world. The triple bottom line exists as a kind of balanced scorecard that captures in numbers and words, the degree to which any company is or is not creating value for its shareholders and society. Economic (profit), Environmental (planet), Social (people), Sales, profits -return on investment ,Air quality, Labour practices, Taxes paid, Water quality, Community impacts Monetary flows, Energy usage ,Human rights ,Jobs created, Waste produced, Product responsibility in terms of;

- **People :** Social justice,
- **Planet -** Environmental issues
- **Profit -** Economy prosperity.
- **Stakeholders Could Be**: Shareholders, investors, employees, customers, suppliers, the community and government. The TBL concept demonstrates accountability to stakeholders in terms of economic, social and

environmental impact. The philosophy behind TBL reporting is sustainable success which gives rise to many benefits including enhanced reputation and increased confidence, benchmarked performance, increased operational efficiency, stakeholder satisfaction, improved risk management and the attraction of high caliber staff. TBL reports may take a number of different formats and reflect a variety of indicators. TBL reporting is one way organizations can add value to their daily practices.

Figure 2: Triple Bottom Line Elements



It is a powerful concept precisely because it does not deny the importance of profitability to the company. In fact, it accepts it wholly. Further, the TBL affirms the company's acceptance of the important social and environmental role it must play.Elkington argued that the performance of a company should extend beyond financial metrics to include metrics on economic, social and environmental impact. This is because in the pursuit of business objectives, companies use not only financial resources but social and environmental ones. Companies should, therefore, be able to report on returns on investment on all three lines, and to quantify or qualitatively express their returns to each respective stakeholder group. The TBL is assessing more than returns to financial investors, looking at the effect the company is having on the other dimensions of its existence. This introduces the notion of Social Return on Investment (SROI) and Environmental Return on Investment (EROI). The intent of the TBL is to rebuild the store of social and environmental capital which the firm uses to generate its profits. This pushes it towards sustainability, because the regeneration of capital means

A good example is the De Beers operation in South Africa. De Beers noted the extremely high rate of HIV in its workforce- at one time, the average life expectancy in South Africa and Botswana was less than 40 because of HIV. De Beers found that it and its workers were saddled with high medical treatment bills and that productivity was lost due to illness. By focusing on education in the communities within which they operated, they were able to improve productivity and significantly dent the turnover and death rates of employees. This also led to an improvement in the quality of life for the people employed there but also in the wider community.

TBL as Balanced Scorecard

The Triple Bottom Line exists as a balanced scorecard of sorts. It resembles a dashboard which expresses, qualitatively and quantitatively, how the company is doing along a number of sub-dimensions within the broader lines of society, environment and finance. And most importantly, it compels the company to report on these. It is ,therefore, different to the Balanced Scorecard of Kaplan and Norton, who devised an internal strategic tool which delivers value at two levels - the first of which is the Ah Ha! Level at which people become exposed to the importance of looking at a broader set of internal metrics. The second comes after much hard work, and relates to the benefits derived from aligning the performance management system to the pursuit of four sets of objectives rather than finance alone. The TBL is a broader notion and not a strategic planning tool. Nor is it an internal one, and instead seeks to establish and reinforce the relationships between the firm and the publics within which it operates. An example of a TBL dashboard would be:

Financial	Social	Enviromental
Revenues	Community impact	Effluent production
Profits	Industrial relations practice and litigation	Energy usage and waste
Cash Flows	Product or service responsibility	Mangrove development
Assets and Liabilities		

If we accept that what gets measured gets done, then we see from the example dashboard that the TBL really is about expanding the range of stakeholders to which it must report by accepting that business is an integral part of society, with relationships governed by symbiotic, not parasitic, principles. The TBL, thus, is measuring and assessing the degree to which the company is creating value for shareholders and the society. The TBL, therefore, is not just about CSR and certainly not about PR. It is also not about business ethics and the resolution of business dilemmas using moral judgment as a guide. It is about the holistic and proactive leadership and management of companies for positive performance along three different dimensions. It is a principle of management which seeks to establish firmly in the mind's eye that any company, large or small, thinking about profits as unrelated to the social and environmental capital used to bring those profits about is going to have problems in the long term. There are risks yes, but opportunities too, for those companies willing to take the next step.

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CONCLUSION

CSR is slowly moving away from charity and dependence and is starting to build on empowerment and partnership. Several corporates today have specific departments to operationalize CSR. Triple bottom line reporting is becoming more prevalent across many sectors of society. While it was born out of the corporate and business world as a means of conveniently reporting corporate social responsibility, it has been embraced by many keen to give social and environmental agendas more prominence in the face of corporatist globalization.

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