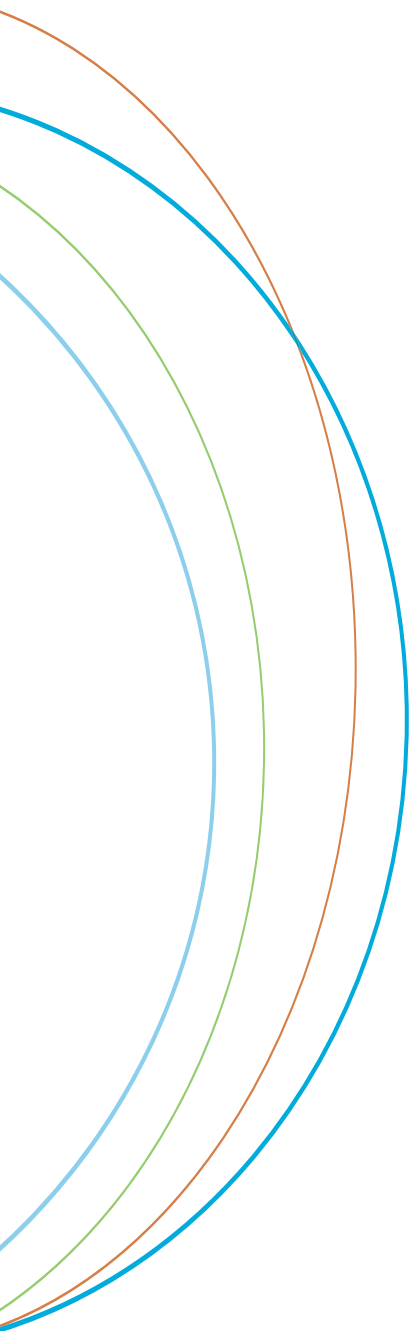# Leadership and the Triple Bottom Line

Bringing Sustainability and Corporate Social Responsibility to Life

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EXECUTIVE SUMMARY

The Ideas2Action (I2A) project is a Center for Creative Leadership (CCL®) initiative bringing "ideas into action" by providing relevant and timely research via technology to our open-enrollment programs. In an attempt to understand organizational sustainability, the I2A team collected data from September through December 2006, gauging leader awareness and organizational implementation of the Triple Bottom Line (TBL) concept.

Two major research methods were used: A short, in-class survey via computer kiosks and an in-depth Internet survey sent to participants 2 weeks following their CCL experience. The Internet survey allowed the I2A team to better understand the high-level trends that emerged from the in-class survey.

We received 197 responses to the in-class survey and 50 responses to the Internet survey. The typical respondent was a male (83 percent) between the ages of 41 and 50 (45 percent) representing the executive level (49 percent).

HIGHLIGHTS

Leaders believe that taking care of profits, people, and the planet are critical to organizational success, both now and in the future. Of the leaders we surveyed, 73 percent report the triple bottom line is currently important to organizational success, and 87 percent agree that the concept will be important to organizational success in the future.

A leader with long-term vision and the ability to communicate can influence others to adopt his/her vision. According to leaders, the three most critical individual leadership competencies necessary for adopting triple bottom line approaches include long-term view, communication, and influence.

Leaders believe their organizations can benefit from triple bottom line efforts. As identified by our surveyed leaders, the top advantages to adopting a triple bottom line approach are increased revenue and market share, increased employee retention, and increased community support.

Taking on a TBL perspective requires a focused commitment to long-term strategic thinking, planning, and action. When asked whether their organizations incorporate triple bottom line activities into their strategies and opera-tions, 11 out of 36 leaders answered 'yes.' Of the organizations that incorporate triple bottom line activities into their strategies and operations, more than 70 percent came from the business sector.

Implementing change means facing new obstacles and challenges. An organization's culture and systems must support this change. Findings indicate the three most critical organizational supports necessary for adopting triple bottom line approaches are integration of TBL into long-term strategies, goals, and measures; employee training on TBL concepts, measures, and challenges; and leaders within the organization modeling TBL behaviors, both professionally and personally.

Leaders and their organizations engage in sustainability efforts that focus on their communities, recycling, and conservation programs. Individual leaders regularly donate to charitable organizations, recycle, and volunteer, while organizations regularly recycle, invest in their communities, and conserve energy.

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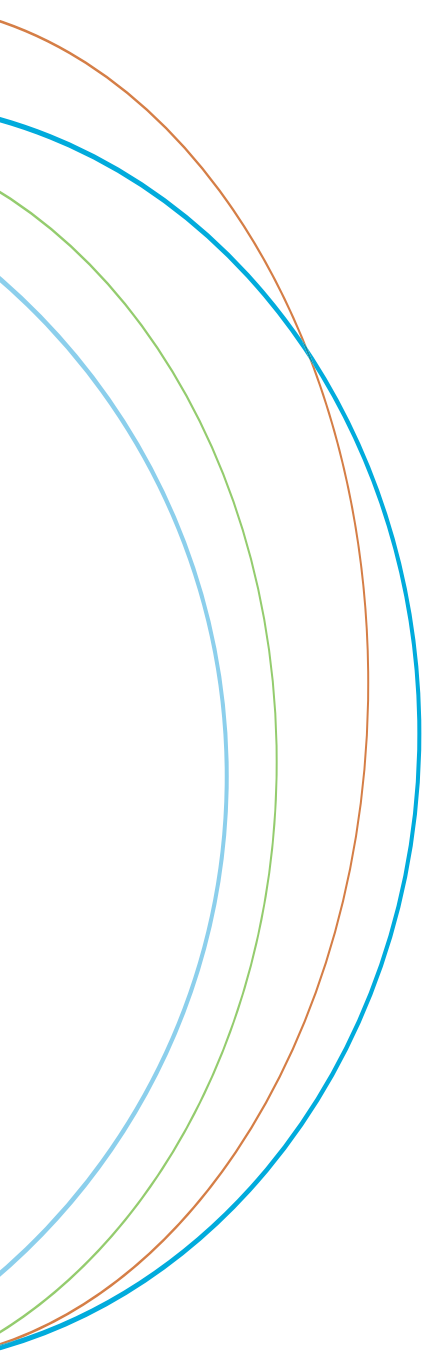
BACKGROUND

The challenges of the 21st century are requiring businesses to fundamentally change the way they operate. Issues such as climate change, natural resource depletion, and the energy crisis are hitting organizations head on and demanding that attention be paid to aspects of the business beyond quarterly financial results. It is no longer acceptable to simply maximize short-term shareholder value. Instead, firms must pay attention to the economic, social, and environmental effects of their operations – referred to as sustainability or corporate social responsibility.

A relatively new concept in the business arena, sustainability is considered the 21st century business paradigm, as well as the price of entry for businesses looking to compete for the long run. The most frequently cited definition of sustainability is "Operating in ways that meet the needs of the present without compromising the ability of future generations to meet their own needs."[1]

The concept of sustainability addresses all aspects of an organization, including the research and development of new products that do not emit toxins or use non-renewable materials; innovation and creativity, where organizations figure out ways of using or minimizing waste; marketing and advertising that addresses or supports local issues and social causes; and increased stakeholder engagement, creating dialogue with community partners, suppliers, competitors, customers and representatives for the natural environment. Sustainability is quickly becoming a fundamental market force ignited through customer, shareholder, and stakeholder demands.

A framework to help operate within this sustainability lens is the TBL, which "focuses organizations not just on the economic value they add, but also on the environmental value and social value they add – and destroy. The three lines represent society, the economy, and the environment. Society depends on the economy, and the economy depends on the global ecosystem, whose health represents the ultimate bottom line."[2] The test of a sustainable organization is the degree to which its operations can be continued indefinitely without negatively altering the factors that foster the existence and creation of healthy communities and the natural environment.

As with the implementation of any new program or movement, leadership plays a key role in successfully bringing about change. To understand the leadership landscape surrounding the TBL, we queried executives attending our programs to learn more about their attitudes and actions regarding the TBL. We hoped to better understand the level of awareness and degree of importance leaders place on the TBL; the outcomes and advantages leaders connect to TBL efforts; how TBL efforts are integrated into day-to-day operations; and how organizational culture and systems support or hinder TBL efforts.

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TBL AWARENESS AND IMPORTANCE

Of the leaders surveyed, 45 percent indicated they are aware of the TBL concept. While this number appears to be low, it is not surprising given that most leaders within organizations are not currently rewarded or obliged by regulations to focus on all three levels of impact. At the same time, leaders may be unfamiliar with the specific TBL name, but grasp the broad concept of sustainability. The leaders most aware of the TBL concept appear to work at the executive and top management levels, most likely because the concept and measurement of corporate social responsibility is currently not widespread among operational level leaders.

In contrast to the awareness response rate, 73 percent of all leaders surveyed believe the triple bottom line is important to organizational success now, while 87 percent agree the concept will be important to organizational success in the future. Regardless of the specific name (triple bottom line, sustainability, or corporate social responsibility), leaders are realizing that taking care of profits, people, and the planet is critical to organizational success, both now and more importantly, in the future.

This high awareness rate may indicate that today's leaders are exposed to the concept of TBL from a number of different sources. Just a few years ago, one had to search to find anything published on sustainability or corporate social responsibility. However, today's popular publications, including *Psychology Today*, *Fortune* and *Financial Times* publish articles and even entire issues dedicated to sustainability. The volume of publications supports the ideas of well-known author and business leader Gil Friend, of Natural Logic, Inc. who suggest "We may have reached the tipping point for sustainability."[3]
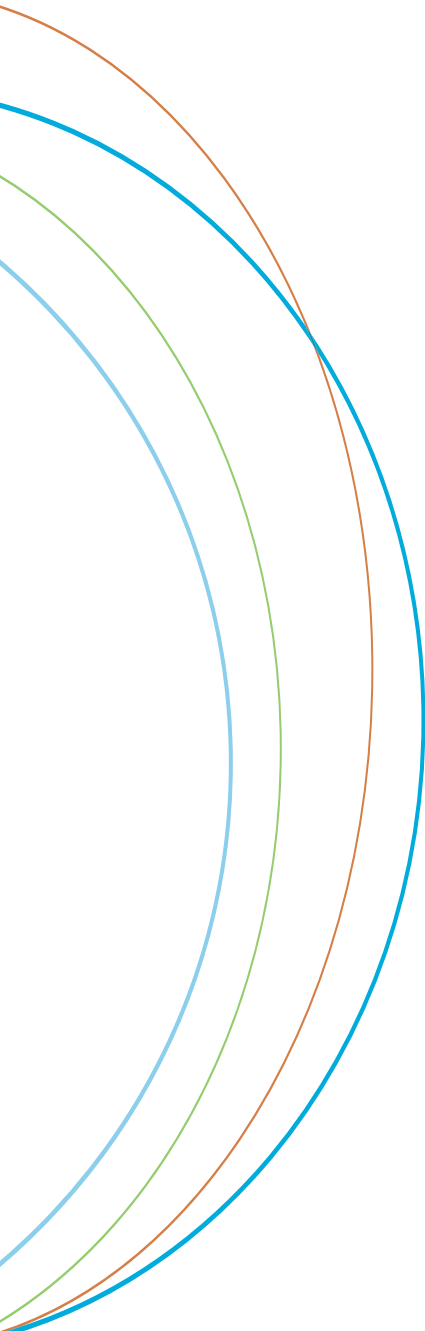
TBL LEADERSHIP SKILLS AND ACTIONS

Fostering leadership competencies for superior organizational performance has always been vitally important. Today's business environment is increasingly complex and globally integrated, and is further complicated by the additional layers of accountability within the emerging framework of the triple bottom line. The identification and development of critical leadership competencies that address the requirements of TBL will put an organization on the path to competitive advantage.

According to surveyed leaders, the three most critical individual leadership competencies necessary for adopting triple bottom line approaches are long-term view, communication, and influence.

Survey respondents answered the question, "Please choose the top three leadership competencies you feel are necessary for leaders who are asked to adopt triple bottom line approaches." The results are listed in Figure 1 on page 6.

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Leadership and the Triple Bottom Line

FIGURE 1

LEADERSHIP COMPETENCIES	PERCENTAGE SELECTED
Long-term view	20%
Communication	15%
Influence	11%
Scanning the external environment	9%
Collaboration	8%
Understanding another's perspective	8%
Systems thinking	6%
Flexibility	7%
Embracing diversity	5%
Risk-taking	5%
Inclusivity	3%
Boundary spanning	2%
Storytelling	0%

It is not surprising that having a long-term perspective is the number one competency selected in support of the TBL. Having a long-term view is synonymous with the triple bottom line perspective. If a leader isn't looking ahead, beyond a quarterly or even yearly focus, he or she cannot readily assess the full impact of his/her organization has on environmental and social issues. And of course, communication and influence are key when introducing a new concept into the organization and challenging the dominant beliefs of the current system.

When asked what leadership actions respondents could take to create a culture where TBL approaches were readily accepted, good leadership competencies included communication, influence, education, recognition and rewards, developing values and principles, and strategy with a long-term perspective.

The difference in effective leadership in dealing with the TBL comes not necessarily in the competencies, but in the mindset with which these competencies are implemented. Respondents suggest leading in ways that 'broaden people's horizons,' and 'do what is right for the world and for the future and it makes common sense for the business.' Of course, the tasks of setting direction, creating alignment, and maintaining the commitment toward the ideals of TBL also are important.

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According to leaders, the top three advantages to adopting a triple bottom line approach are increased revenue and market share, increased employee retention, and increased community support.

Increased revenue and market share suggests that leaders believe their organizations can benefit a great deal from triple bottom line efforts. The market share advantage also shows that leaders believe customers and other stakeholders will respond positively to triple bottom line efforts. It is clear these leaders see an economic value to the triple bottom line; it can provide cost savings as well as revenues from innovations and new market opportunities.

Increased employee retention also was seen as an advantage of implementing the triple bottom line. Many firms are realizing that having a strong sustainability or CSR program helps with both recruitment and retention of talent. A recent study by Stanford University shows that MBA graduates will take $13K lower in annual salary to work for a 'responsible' company (CSR Reputation Effects on MBA Job Choice, Stanford University, 2003). Another study found that employees in companies with strong sustainability programs are happier, more satisfied, and have longer retention rates (Corporate Responsibility: Burden or Opportunity, *BusinessWeek* Research Services & Grant Thompson, 2007). Leaders viewed increased community support as another advantage to the triple bottom line. Local communities can have a strong influence on a firm's 'license to operate'. If a company engages the community around their environmental and social impacts and it's role in addressing community issues, it presents the company as a good corporate citizen and partner, thus opening the door for dialogue and positive stakeholder relationships. The TBL perspective also results in organizations avoiding regulatory issues, bad publicity, and angering special interest groups.

What is the ultimate organizational advantage to the triple bottom line?

FIGURE 2

TRIPLE BOTTOM LINE ADVANTAGES	PERCENTAGE
Increased revenue/market share	28%
Increased employee retention	19%
Increased community support	17%
Reduced risk	17%
Other	11%
Positive public relations	6%
Reduced costs	3%
Ease of recruitment	0%
No advantage	0%
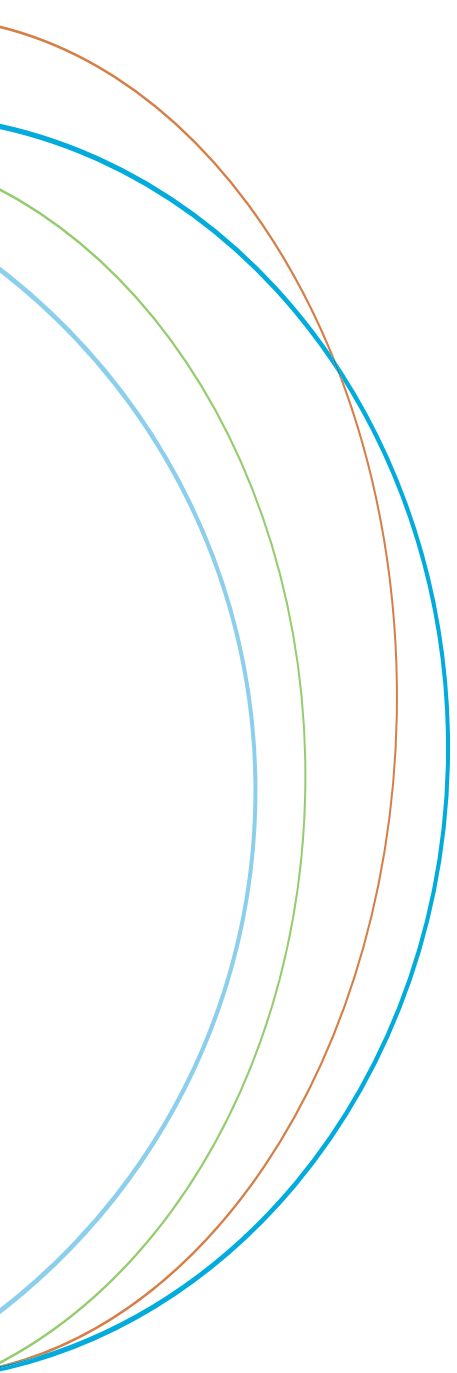
TBL OUTCOMES AND ADVANTAGES (continued)

In addition, leaders viewed increased community support as another advantage to the triple bottom line. Organizations that support the community affect their surroundings beyond the walls of the organization, through educational development, charitable events, and visibility of issues. A by-product of these advantages is reduced risk, which means that organizations incorporating triple bottom line efforts are seen as safer investments, making it easier for them to procure funds. The triple bottom line also results in organizations avoiding legalities with governments, bad publicity, and angering special interest groups.

A savvy business might use these advantages to help create a framework that rewards actions and decisions made by its leadership supporting sustainability and the TBL. These views support Willard's (2002) research documenting the sustainability advantage, which claims the TBL contributes to the hiring of top talent, higher retention of top talent, increased employee productivity, reduced manufacturing expenses, reduced expenses at commercial sites, increased revenues and market share, reduced risk, and easier financing.
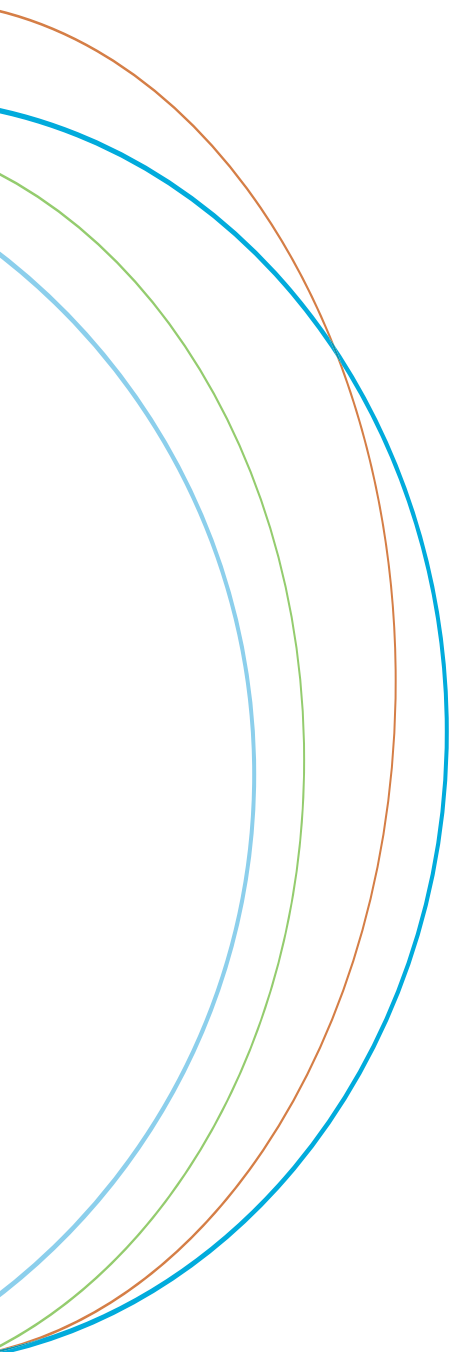
ORGANIZATIONAL STRATEGY AND THE TBL

Taking on a TBL perspective requires a focused commitment through long-term strategic thinking, planning, alignment, and implementation. When companies champion corporate sustainability, the challenge becomes how to incorporate triple bottom line principles into an organization's operations. Two concepts that organizations must understand to successfully integrate the triple bottom line with company strategy is that sustainability requires innovation, and sustainability strategies must be customized (Placet et al., 2005).

When asked whether their organizations incorporate triple bottom line activities into their strategies and operations, 11 out of 36 participants answered 'yes.' Of the 11 participant organizations that incorporate triple bottom line activities into their strategies and operations, more than 70 percent came from the business sector. Based on this set of responses, the size of the organization did not have any impact on whether it was incorporating TBL activities.

ORGANIZATIONAL STRATEGY AND THE TBL (continued)

Does your organization incorporate triple bottom line activities into its strategies and operations?
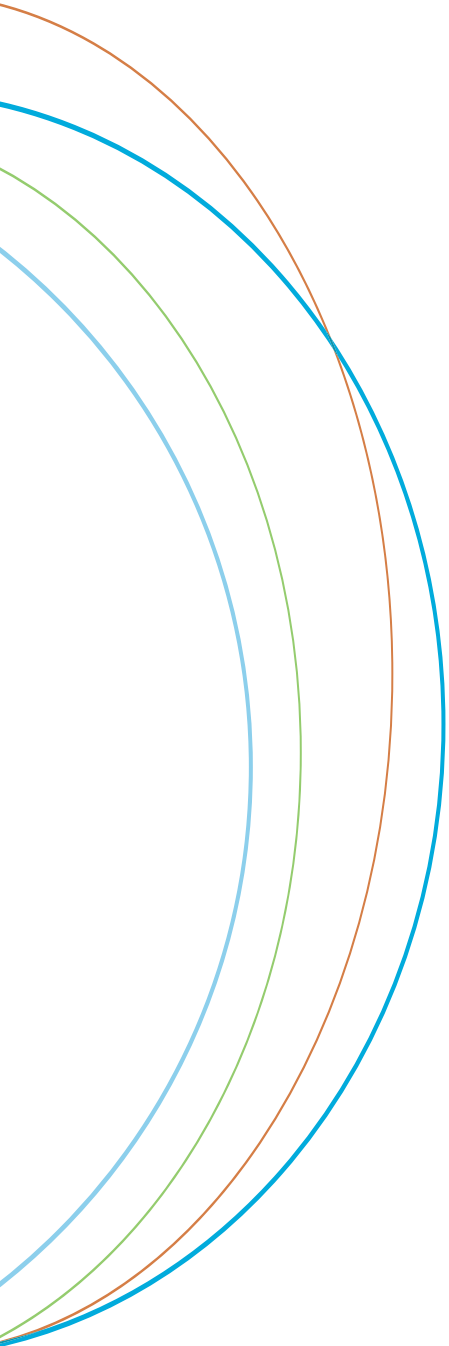
FIGURE 3

OVERALL	YES	NO
Total	11	25
ORGANIZATION LEVEL	**YES**	**NO**
Top	0	5
Executive	8	11
Upper Middle	0	7
Middle	3	1
NUMBER OF EMPLOYEES	**YES**	**NO**
10,000 or more	3	6
5,000 to 9,999	2	7
1,000 to 4,999	5	7
100 to 999	1	5

ORGANIZATIONAL CULTURE AND SYSTEMS SUPPORTING OR HINDERING TBL

Any organization implementing a new way of doing business knows the importance of ensuring that company culture and systems support the change. In addition, executing change means facing new obstacles and challenges. Executing change means facing new obstacles and dealing with new challenges. Leaders find the biggest obstacles to implementing a TBL perspective are a lack of understanding/awareness of the TBL concept within the culture, financial focus taking priority over anything else, and a lack of leadership and organizational support.

These obstacles reflect a need for further understanding and continued education on the topic. Education is also needed to show the link between positive financial performance and sustainability. Finally, new rules of engagement for both the leaders and the organizational culture are needed to support sustainability efforts. Attention to the alignment of the systems, processes, measures, rewards, communication, values, and day-to-day decisions is needed.

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ORGANIZATIONAL CULTURE AND SYSTEMS SUPPORTING OR HINDERING TBL (continued)

FIGURE 4

BIGGEST OBSTACLES	RESPONSE RATE
Not understanding/Not aware of TBL	30%
Financial focus a priority	27%
Leadership & organizational culture	24%
Lack of measures for TBL	9%
Short term thinking	10%

NOTE: Percentages are >100 percent due to multiple obstacles listed in each response.

Although leaders believe a lack of awareness is the biggest obstacle, an important proposal for organizational support involves the integration of TBL into the strategies, goals, and measures of the organization. And, as any leader knows, what gets measured gets attention.

In addition to training and awareness involving the TBL concept, respondents advise educating employees about the challenges and difficulties presented by the TBL. Role playing, benchmarking, and mentoring are suggested as developmental opportunities amenable to TBL training. In addition to the cultural support, leaders must model behaviors in support of TBL to successfully achieve organizational backing. Specifically, respondents would like the leaders of their organizations to model TBL behaviors in their professional and personal lives.

FIGURE 5

ORGANIZATIONAL SUPPORT	RESPONSE RATE
Adapt TBL strategies/goals/measures	41%
Awareness and training	18%
Adopting a long-term perspective	12%
Leaders model behavior/focus	15%
Culture	6%

NOTE: Percentages are >100 percent due to multiple obstacles listed in each response.

Leadership and the Triple Bottom Line

There is no question about the strong link between at-home behaviors and the actions adopted in organizations. As such, data was collected from the in-class survey to examine what leaders and their organizations are currently doing to support and demonstrate the TBL concepts.

Individuals were asked to list the efforts they regularly engage in at home or work, and the efforts in which their organizations regularly engage.

FIGURE 6

INDIVIDUAL SUSTAINABILITY EFFORTS	RESPONSE RATE
Donate to charitable organizations	92%
Recycle	79%
Volunteer in my community	59%
Energy & water conservation	58%
Serve on community boards	39%
Drive a fuel-efficient vehicle	22%
Social & environmental responsible investing	15%
Take public transportation	14%
Participate in a sustainability awareness group	9%
None of the above	2%

Note: 49 percent of the 197 respondents personally incorporate triple bottom line activities into their leadership practices.

FIGURE 7

ORGANIZATIONAL SUSTAINABILITY EFFORTS	RESPONSE RATE
Recycling	81%
Community investment	73%
Energy conservation	66%
Community education programs	63%
Waste reduction	58%
Fair trade practices	47%
Pollution reduction	44%
Alternative energy use	19%
None of the above	4%

The results show these leaders regularly engage in their communities and view their companies as doing the same. Most leaders and their organizations engage in recycling and energy conservation programs. A few individual leaders also put their personal money behind the TBL concepts through their personal investments, while organizations flex their ability to choose by engaging in fair trade practices. Connecting personal and professional actions through sustainability front enables these leaders to integrate home and work values.

Leadership and the Triple Bottom Line

- TBL is not an either/or issue, rather it is a both/and opportunity to increase competitive advantage through:
  - Improved recruitment/retention
  - Increased employee morale and productivity
  - Reduced costs, expenses, and risk
  - Better community relations and reputation

- Understand the organization's attitudes and the value placed on pursuing a TBL agenda before launching into a major change effort

- A TBL strategy is not enough; it must become integrated into the day-to-day operations and be aligned through the systems and processes of the organization

- Develop 'leadership capacity' to deal with TBL challenges and opportunities with a focus on:
  - Integrative/systemic thinking
  - Balance of long-term perspective with short-term results
  - Stakeholder engagement

Check out the following for support and ideas for implementing TBL:

- Websites
  - www.sustainablebusiness.com
  - www.greenbiz.com
  - www.wiserbusiness.org
  - www.thedailygreen.com

- Member Organizations
  - Business for Social Responsibility (www.bsr.org)
  - World Business Council For Sustainable Development (www.wbcsd.org)

- Developing Leaders for Sustainability
  - Center for Creative Leadership (www.ccl.org)
  - Globally Responsible Leadership Initiative (www.globallyresponsibleleaders.net)

- Principles/Reporting
  - The Natural Step (www.tns.org)
  - UN Global Compact (www.unglobalcompact.org)
  - Global Reporting Initiative (www.globalreporting.org)

- Books
  - *The Sustainability Handbook*, 2007
  - *Leading Change Toward Sustainability*, by Bob Doppelt, 2003
  - *Cradle to Cradle*, by Bill McDonough and Michael Braungart, 2002
  - *The Sustainability Advantage*, by Bob Willard, 2002

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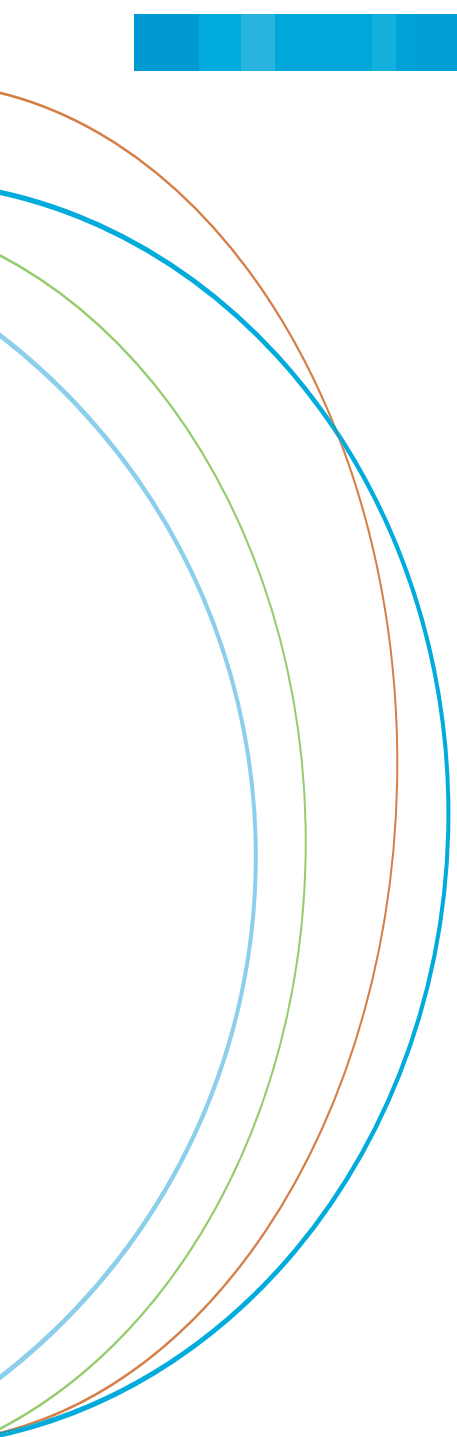
BIO

Laura Quinn is a senior associate at the Center for Creative Leadership; she is passionate about helping organizations understand and adopt sustainability principles. Laura lead's the Center's research efforts in sustainability/corporate social responsibility. She has an undergraduate degree in business from the University of Colorado at Boulder and a Ph.D. in Organizational Communication from the University of Texas at Austin.

Jessica Baltes is a research associate at the Center for Creative Leadership where she is involved in research and evaluation. Jessica has a long standing interest in sustainability/corporate social responsibility and is a founding member of the Leadership for a Sustainability World taskforce on CCL's Colorado Springs campus. She graduated from the University of Wisconsin with a B.S. in business and from the University of Colorado with a master's degree in Business Administration.

FOOTNOTES

[1] *Our Common Future,* United Nations World Commission on Environment and Development, 1987.

[2] John Elkington, www.sustainability.com

[3] Gil Friend, Natural Logic, Inc., New Bottom Line, 2006
http://www.natlogic.com/resources/nbl/v15/n02.html

[4] Stanford study

[5] Retention study