

Sustainability and the Triple Bottom Line

Local Business Consultant Outlines Steps Toward Corporate Change

(adapted from an article by Joanna Dickson Holmes, written for *ecoOpportunities*)

A recession may not seem like the best of times to shift a company's focus from the strictly economic bottom line to a target that also embraces environmental and human goals—and yet, says author and speaker Lisa Friedman, Ph.D., there's no time like the present.

In the past year, Friedman has seen what she calls “a snowball effect” in the move toward enterprise sustainability. A principal with the Palo Alto-based Enterprise Development Group (enterprisedevelop.com), Friedman delivered a presentation on “Sustainability, Business, and a Rock-Solid Bottom Line” in February at Palo Alto City Hall. As evidenced by the size and enthusiasm of her audience, Friedman's topic, the *triple bottom line* (TBL), commands a great deal of local interest.

A host of recent successes may be what's driving all this interest. New reports prove that by embracing a bottom line encompassing both sustainability and humanitarian goals along with economic performance, a business can actually improve its overall standing in terms of profitability, corporate image, and ability to attract top employees.

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What Is the Triple Bottom Line?

According to SustainAbility, the British organization accredited with coining the term and the vision of the triple bottom line over a decade ago, “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.”

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Migrating to the Triple Bottom Line

For those seeking to drive such changes in their own companies, a vision is essential, says Friedman. “Picturing what it would look like to have sustainability everywhere” is one step Friedman says must happen at the earliest stages of implementation.

With that goal in mind, Friedman describes sustainability as a design challenge. “We're quite successful at meeting design challenges,” Friedman says, citing such milestones as

landing on the moon. “But what’s initially necessary for our success is accepting the challenge, then applying breakthrough thinking to realize the vision.”

One of Friedman’s favorite examples of such thinking is Interface, an industry leader in the commercial carpet sector. Among many other major changes, Interface recreated its products and processes to ensure and social responsibility. Then, in an unprecedented move, the company switched its carpet-sales business model to a lease structure, with a built-in re-use/recycling policy for its clients’ used carpets. With its new business model, the more fibers could be re-used and recycled, the more profit the company would make.

Interface CEO Ray Anderson’s vision, says Friedman, is what made the company’s paradigm change not only viable but successful in terms of TBL metrics.

First Steps Toward Change

As part of the envisioning process, a good first step is to decide how much of an enterprise should be involved in TBL goals. Should the plan involve a particular product or service, a specific manufacturing process, or the company as a whole?

Sustainability can be implemented in all parts of an enterprise, explains Friedman. For instance, a facilities organization might focus on green buildings and landscaping, sustainable transportation programs, and so on. The finance team might focus on TBL metrics to demonstrate performance beyond financial results, as well as making that information publicly visible. Members of the HR team can seek out recruits who will further the company’s TBL goals, while encouraging those goals through training, orientation, performance measures, and helping to build a company culture of sustainability.

The Ladder of Sustainability

Alongside a business organization for sustainability, there is also a “ladder of sustainability” whose rungs include the progressive steps an enterprise can take toward a triple bottom line. Each rung represents an area into which sustainability can be designed.

“ The Ladder of Sustainability ”

Design Sustainability into:

1. Products or Services
2. Processes
3. Business Model
4. Company Focus
5. Brand Identity of Company
6. Supplier Web & Value Chain
7. Industry Leadership & Advocacy Role

Products and Services—The first area an enterprise should focus on is its products and services. Are they sustainable? Are products made from nontoxic, renewable materials, manufactured under socially responsible conditions?

Processes—How sustainable are a company’s processes? Do the design and production processes promote the re-use of materials and minimal use of energy, water, and materials? “You want to make sure the process, as well as the product, is green,” says Friedman. Companies might also review their overall design processes, targeting “cradle-to-cradle” (as opposed to “cradle-to-grave”) product lifecycles (as written about by Bill McDonough and Michael Braungart).

Business Model—Companies can align their financial incentives with their sustainability goals. For example, leasing as opposed to selling is a new concept that some businesses are now exploring. This shift could help balance profitability with waste reduction. (E.g., as long as Interface Carpet made more profit the more carpet it

sold, there was little financial incentive to use less material by selling less carpet. However, once Interface changed to a business model of leasing carpet, of collecting an annual fee for “carpet services,” then the company would make more profit the longer the carpet lasted and the more fibers they could reuse).

Company Focus—“When you move your efforts to a company focus,” says Friedman, “you get everyone on board at all levels. By doing this, you let loose innovation throughout the company.” Given the early stages of the sustainability movement, Friedman notes that contributions are needed almost everywhere. Everyone has something to add to make sustainability a reality.

Brand Identity—Making sustainability a part of an enterprise’s public identity turns out to be a great branding and marketing tool, as shown by companies such as The Body Shop and Ben and Jerry’s—or, locally, Shaklee Corp. The latter became the country’s first climate-neutral company in 2000. By actively seeking out such companies, conscientious consumers, investors, and job candidates promote TBL success and profitability.

Supply Chain and Value Network—As part of the “big picture,” a company’s commitment to TBL goals can move beyond the boundaries of its own organization to include to its entire value chain or network, including suppliers, partners, and even customers. All materials, resources, and processes that contribute to the making or use of a company’s product or service be viewed as part of the enterprise’s impact in the world. Aligning the whole “extended enterprise” around TBL goals can in fact make these easier and less expensive for each separate company in the system, and can lead to breakthroughs that can only be achieved at this larger system’s level.

Industry Leadership and Advocacy Role—Once a company has made its way up the first six rungs of the ladder, advocacy becomes its next opportunity. Today, many CEOs and company founders are taking leadership roles in demonstrating sustainability and TBL principles for other businesses and for their industry as a whole. Some examples include Patagonia founder Yvon Chouinard, Body Shop founder Anita Roddick, and Ben & Jerry’s cofounder Ben Cohen.

Moving Players into Position

Like almost any corporate initiative, TBL goals call for the creation of teams of people whose jobs are to bring these goals to fruition. “When a company has committed to TBL

goals,” says Friedman, “three groups of people make the difference between plan and reality: the leaders, the stakeholders, and the change support group.”

Leaders—Typically, a company needs at least one executive-level sponsor on board to see a TBL strategy through. That executive’s role is to clear the way and give or get authorization, support, and resources for necessary activities.

Stakeholders—This group takes responsibility for implementing a TBL plan. “With this group,” Friedman explains, “it’s about how to get people motivated and inspired. Basic training and education are critical to ensure buy-in and build capability among stakeholders.

Change Support—“The changes are often large and complex enough that the company needs a support team to enable a broad-scale migration,” says Friedman. The change support team acts as facilitators, gathering resources, linking people to expert resources, coordinating meetings, and spotting and solving problems.

The Next Industrial Revolution

Incorporating sustainability into business is part of a larger transformation that sustainability leaders such as McDonough and Braungart and Amory Lovins call “the next industrial revolution.” As with the first industrial revolution, the challenges are clear and present. While the goal of the first industrial revolution was to create financial value, the challenge in this next era is to simultaneously create financial, social, and ecological value. Friedman’s point of view is that there is a significant advantage for those working to enhance sustainability in this new era: It is still open territory — there is much to be accomplished and plenty of room for innovation. Pioneers are needed at all levels, and interventions now can make important contributions and have profound impact on our future.

Background Reading:

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