

**Is the Triple Bottom Line reporting framework flawed or can it
be developed to a higher state?**

By

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**A thesis submitted in fulfillment of the requirements
for the degree of
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CERTIFICATION

This thesis by publication is submitted in fulfillment of the requirements of the degree of PhD, in the Graduate School of Management, Macquarie University. This represents the original work and contribution of the author, except as acknowledged by general and specific references.

The research presented in this thesis was approved by the Macquarie University Ethics Review Committee (Appendix 12) on the 21st January 2010 (reference number 520093512(D)).

I hereby certify that this has not been submitted for a higher degree to any other university or institution.

Signed:

A handwritten signature in dark ink, appearing to read 'Kaushik S.' with a trailing flourish.

Kaushik Sridhar

05/06/2012

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This thesis by publication includes five original papers either published accepted for publication in peer reviewed journals, two of which have been co-authored with Professor Grant Jones. The ideas, development and writing up of all the papers in the thesis were the principal responsibility of the candidate, working within Macquarie Graduate School of Management under the supervision of Professor Grant Jones. The inclusion of a co-author reflects the fact that the work came from active collaboration between researchers and acknowledges input into team-based research.

Confirmation of co-authorship

Paper 1

Name of Publication: A multi-dimensional criticism of the Triple Bottom Line reporting framework

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Paper 4

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Paper 5

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Abstract

Triple Bottom Line (TBL) reporting has been embedded in corporate practices for the last two decades, without undergoing a great deal of scrutiny in both practical and academic research. This thesis aims to investigate the TBL framework from the perspectives of practitioners who have adopted TBL in the past. The purpose behind this research is to focus on the processes, principles and outcomes of TBL reporting at a corporate level and determine the fundamental limitations within this non-financial reporting framework. The introduction chapter provides a preview of the structural foundation of the thesis, and the research question that will be answered throughout the literature. The thesis comprises of five separate but integrated papers which have been either published in journals, or accepted for publication in journals. Each publication builds on the principles and findings set forth in the previous paper/s and analyzes the limitations within TBL framework based on different academic frameworks. The analysis is primarily based on qualitative data developed through textual analysis of TBL reports; and interviews conducted with the heads of sustainability of forty global corporations considered to have followed TBL reporting as well as being included by major sustainability indexes. The data set includes semi-structured interviews with the executives who are in charge of the sustainability divisions at each of the forty corporations over a one-year period. The methodology chapter provides an overview on different academic theories and theoretical concepts investigated in the thesis. The data analysis draws on stakeholder theory, institutional theory, reputation and legitimacy theory, through which the interviews-data is analyzed; this helped to assess the overall impacts that TBL had in terms of the corporations' non-financial reporting procedures and systems based on their assumptions of what TBL promised to deliver and what it actually delivered, or rather did not.

The results from the interviews signified potential for the corporations to reflect on the current state of affairs with a TBL paradigm, and through further innovation and engagement, create a mind shift towards a more robust and integrated reporting framework that corrects problems faced through a TBL style of reporting. By embedding TBL principles, objectives and indicators into their internal reporting mechanisms, the forty interviewees, or internal stakeholders, were

unable to see the relevance or integration in how TBL reporting processes could feed back into future corporate decisions and strategies related to sustainability as TBL provided minimal opportunities for such reflection. This failure to integrate the past and the present systems with future strategic matters severely undermines the power and potential of TBL reporting to evolve as an integrated and cyclical system that can create change.

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CHAPTER 1 INTRODUCTION

1.1 Introduction

This research investigates the Triple Bottom Line (TBL) reporting framework and critically identifies and analyses the fundamental limitations of the framework in the corporate reporting space. A combination of semi-structured interviews as well as analyzing the TBL reports of forty corporations was used as the basis for collecting data. The focus of the analysis was on qualitative data to understand the impact that TBL had on the reporting practices of corporations and whether it had been a useful tool in improving their non-financial reporting practices.

The role of Triple Bottom Line (TBL) reporting

The desire to become sustainable and adopt a higher sense of corporate social responsibility (CSR) is a core strategic intent and objective for many corporations. CSR is a value-laden concept that integrates an environmental good with that of society and its development. In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society which goes beyond the merely economic. Insofar as the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving the social order (Carroll 1999, p. 278). With corporations driven by profit maximization, societies have become aware that the limits of a fragile environment have been exceeded by the global pursuit for prosperity and improved standards of living. The heightened awareness of societies regarding environmental and social degradation as well as the lack of transparent and accountable disclosures has increased their expectations on the behaviour of corporations, whether they are public or private corporations. Chapter 2 provides a higher level of macro-economic context in terms of the environmental and social impacts that led to the creation of the TBL. Chapters 5, 6 and 7 provide practical examples (in the introduction section) in terms of stakeholders demanding greater transparency and accountability due to various ethical scandals in the corporate arena. Socioeconomic issues like access to information, awareness of environmental disasters and corporate malfeasance via the mass media have

triggered a wave of interest in topics such as sustainability, CSR etc. In general, corporations are facing intense pressure to account for and be more transparent regarding the impact their actions have on the external environment. However, given that CSR is a multi-dimensional and holistic concept, corporations face the challenge of what CSR means to each of them at a corporate level. Within the conceptual area of CSR, the concept of “triple bottom line” or the notion of having an economic, environmental and social bottom line was introduced (Elkington, 1997). This framework brought to the corporate discussion issues surrounding economic, environmental and social dimensions. This dissertation investigates managers’ perceptions towards TBL, and whether it has helped or hurt their efforts towards advancing their standards, especially in the non-financial space, in corporate reporting practices. TBL reporting is the system of measuring corporate performance in the economic, environment and social (non-financial) dimensions, and disclosing this information to internal and external stakeholders. The TBL, as described and presented by Elkington and his team focuses not just on the economic value a company or project add, but also on the environmental and social value they add – or destroy (Elkington, 1997). TBL reporting drives corporations to be more transparent and give an account of their overall performance and its impact on the overarching goal of sustainable development (Hartman et al., 2007; Nielsen & Thomsen, 2007). “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland Report, 1984). Sustainable development can refer to humanity and creating the greater good for the society while CSR has a corporate spin and, in a way, forces companies to comply with the notion of being socially responsible. TBL has a better fit with the definition of CSR as it helps corporations effectively mitigate risks and see opportunities by implementing a framework deemed to be best practice in the CSR space. As a catchphrase, TBL has tried to conceptualize CSR and work as a heuristic for corporations to report against CSR parameters. The aims of the research will be explained after briefly introducing the concept of TBL.

A TBL Report

An overview of TBL requires an understanding of what a TBL report represents in corporate reporting. A TBL report is a stand-alone report through which a corporation accounts for its financial and non-financial performance on the three dimensions of TBL. This is an evolution from the traditional annual report, which focused only on the corporation's financial accountability. When Elkington was rolling out the catchphrase of TBL to a larger audience, Shell, a large private corporation, wanted his advice on how it could use its reporting mechanisms to minimize criticisms made against its social and environmental actions, which were deemed as destructive and unsustainable (Elkington, 1998, p.143). Upon consulting with Elkington, Shell then implemented a TBL standard of reporting to minimize the negative impacts of stakeholder criticisms (Shell International, 1999). While TBL functions as an accounting standard for financial and non-financial dimensions, TBL is generally treated more as a subjective accounting mechanism for corporations' non-financial reporting procedures. The measurement of the social dimension within the context of TBL reporting is an area that still requires development (Pritchard, Chambers, Curtis, Le Heron & Spriggs, 2003). The reason for this is that while measures in the environment and economic space have led to a reasonable level of awareness and acceptance for CSR, having more robust measures in the social space can lead to the effort of corporate social responsibility (CSR) to grow drastically. The ethical and social aspects fall within the expertise of social researchers, especially regarding the analysis of power, dialogue and justice with the social entities that are affected (Brown & Gray, 2003; Cheney, Nheu & Vecellio, 2004). Vanclay (2003) has developed the field of social impact assessment, and this has been taken further by social researchers showcasing the link between public participation and socially improved outcomes (Fitzpatrick, 2006). While still a work in progress, social researchers have advanced the topic of how to value and measure social dimension (Webb & Curtis, 2003) and develop social performance indicators that will be useful to corporations that implement them (Rogers, 2005). The utility of a TBL report seems to be in the language, rather than in the measurement space as previously described by Elkington. This research unpacks this distinction further in Chapter 2.

Another major challenge in TBL reporting is to develop a process to analyse the economic, environmental and social dimensions in an integrated manner. Integration or having an integrated approach is where the financial and non-financial information of a corporation are presented in an interlinked manner, in a single report. The ability to map the impacts or demonstrate the interdependencies between the economic, environment and social dimensions is the foundation of integration, which is missing in reporting at the moment. While consultants have come up with techniques like online reporting, sustainability dashboards (Rogers, 2005) and amoeba spider diagrams (Bell & Morse, 1999), the ability to find a simple albeit integrated representation of TBL performance is still missing in practice. Initially, TBL was perceived to be a driver for a new bottom line metric across the three dimensions. While certain aspects of environment (water, electricity) and social dimensions (safety, turnover) can be objectively measured, TBL has come to be viewed as a framework for subjectively measuring and reporting performance across the three areas without a proper sense of measuring impacts across the three areas in an integrated manner.

Contribution of this thesis: A focus on TBL reports and the process of TBL reporting

The main contribution of this thesis is to expose the limitations within TBL reporting and practices in corporate reporting. Coined in the early 1990s, the framework has certainly endured over a period of time without undergoing extensive scrutiny in terms of its applicability to what corporations truly desire from their non-financial reporting. From the outset, the research was created, designed and developed to focus on analysing the process of TBL reporting as well as analysing the TBL/sustainability reports of corporations to determine the fundamental limitations within TBL reporting. While analysing TBL reports is an important part of this research, focusing on the process of TBL reporting shifts the attention from investigating the content in a TBL report to analysing the outcomes from adopting a TBL framework towards corporate reporting and how its usage has limited corporations over time. It is through this process of reporting over time that we can investigate multitude of interactions, experiences and outcomes through which a corporation interprets TBL reporting. These outcomes can assist in building a case for highlighting the inherent limitations within the TBL framework.

There are numerous strands of literature that have supported the research to focus on the processes of TBL reporting, and these are explained in detail in the first publication, which is the literature review. The central part of the thesis and research investigation revolves around understanding the process of TBL reporting within corporations, what limitations corporations see in this framework, and how corporations intend to evolve or devolve from TBL reporting in the future. TBL reporting should not be seen as the endgame although corporations tend to think otherwise due to the lack of evolution in TBL principles over the years.

1.2 Research Questions

The thesis' title reflects the importance of determining whether the TBL framework, in its current state, reflects best practice in reporting or is fundamentally flawed in terms of its inherent principles and methodology. The second part of the title indicates whether TBL can be developed to a higher state, or a more robust framework for non-financial reporting. While this thesis doesn't intend to provide a solution, it aims to show the 'higher state' by magnifying the limitations within TBL. Further research can build on overcoming these limitations and subsequently developing a non-financial reporting framework that serves as a stronger reporting mechanism for sustainability issues.

The overall purpose of this research is to identify inherent limitations in the TBL framework, and also to inform the question of whether the process of TBL reporting has helped corporations in their pursuit of developing and implementing practical applications and changes that would contribute to a higher state of corporate social responsibility and sustainability. The broad aim and how it is to be dealt with is presented below as a broad overarching research question followed by a set of key component research questions.

The broad and overarching research question that underpins this investigation is:

Do managers responsible for TBL reporting believe that the TBL concept is used as a strategic lever to the task of defining and reporting on the broader financial and non-financial impacts that companies truly desire?

This is a question that relates to the concept of TBL, and whether it's a useful metric to facilitate corporate strategy and motivate corporations in their pursuit of practical actions designed to achieve sustainable outcomes or simply a metaphor to personify a socially responsible image for corporations. The research question also investigates the process of TBL reporting on corporate social performance and whether adopting the TBL as a framework for this process actually helps corporations measure and meaningfully look at the impacts of their activities on the broader society.

Semi-structured interviews from forty ethical and global corporations located primarily in the Asia-Pacific region (based on their inclusions on various ethical indexes) have been used to determine whether their TBL reporting processes has helped them to enhance their ability to measure and manage impacts, and improve their overall performance. To investigate critical limitations, the research needed to gather data from corporations that had made a serious effort to try to develop the practice of TBL reporting. The criteria for judging the corporations selection as serious are:

- Inclusion on sustainability indexes, such as the Dow Jones Sustainability Index (DJSI), FTSE4Good Index, Forbes Global 100, and Carbon Disclosure Project (CDP).
- TBL reports which suggest a serious effort on the part of the corporation at reporting their financial and non-financial information and potential impacts.

These two criteria tended to exclude SMEs and include large corporations. The research question has also been broken down into a set of key component questions, which will be supported by evidence from literature, the TBL reports and the interviews conducted with the forty corporations.

Component research questions

The thesis consists of five publications that have a focus on the TBL theme. Each publication builds on the one before and analyses different aspects of TBL and its impact on corporate reporting. The first publication is a literature review on TBL and what the concept represents, and the benefits and drawbacks of using TBL as a non-financial reporting system. It addresses the following research question:

- 1) *What is TBL; what are the limitations inherent in this framework?*

The second publication extends the literature review and analyses the three major limitations of TBL by looking at the TBL reports of forty corporations included in the Dow Jones Sustainability Asia-Pacific Index. The research question answered by this publication is:

- 2) *What are the fundamental limitations within the TBL framework? Can this be traced to current TBL reports of corporations that follow best practice in non-financial reporting?*

The third publication provides a snapshot of the data collected from the semi-structured interviews with forty global corporations. The paper provides analysis of how the data links to key themes and flaws of TBL. The research question answered in this paper is:

- 3) *What level of significance is placed upon the concept of TBL in corporate reporting; in particular what are the main motivations behind the employees in charge of conducting TBL reporting to adopt this concept?*

The fourth publication builds on previous work acknowledging the fact that TBL reporting leads to few tangible benefits for corporations. The question of intangible benefits is the centre of analysis and discussion in this paper; corporations allude to brand, reputation and legitimacy as being major driving forces for beginning their journey into non-financial reporting. The research question answered in this paper is:

- 4) *Is there a linkage between TBL adoption and enhanced corporate reputation and legitimacy in the perceptions of the managers who create TBL reports?*

The purpose of the fifth publication is to analyze the developmental stages of non-financial reporting in corporations, by interpreting the views of interviewees from major ethical corporations on the six major dimensions of non-financial reporting (identified in the literature

of the paper) within each stage of the 5 stage model of non-financial reporting (developed in this paper). While literature has been done extensively on the TBL framework, empirical/interview data linking TBL and how it has helped, or even hindered corporations progressing through different stages in their non-financial reporting processes is missing. The research question answered in this paper is:

- 5) *Do managers believe that TBL has helped corporations improve and evolve with their non-financial reporting systems, principles and practices, or impeded, hurt and stalled their journey?*

Research strategies and process

In order to address these research questions, the research project has adopted the following strategies:

- (1) The first strategy was to review extensive literature related to TBL reporting as well as analyse numerous TBL reports to get a better sense of current TBL reporting practices as well as to identify any potential limitations in the framework.
- (2) The second strategy was to review literature on TBL, non-financial reporting, stakeholder theory, reputation and legitimacy, and link TBL principles and potential limitations to these concepts.
- (3) The third strategy was to investigate TBL reporting and interpretations by conducting semi-structured interviews with forty corporations considered to be adopting best practices in CSR and who have conformed to TBL reporting at one point in time.
- (4) The final strategy was to interpret the interviews results from these interviews to identify whether managers see TBL function as a change agent for corporations in their quest to improve their non-financial reporting or whether it actually limits corporations from wanting to advance themselves in this area.

The research process therefore comprises two distinct but inter-related research activities. The need for a broad and comparative understanding of how TBL reporting currently functions in corporations' non-financial reporting structure relied on the review of literature and published TBL reports. This broader understanding complemented the depth of understanding acquired

through an interactive investigation into how the TBL reporting currently stands in the minds of the forty interviewees.

Engaging with the literature

The first research activity evolved as part of the review of the literature related to TBL reporting. To develop a research output that would make a significant contribution to the literature, academic papers on TBL reporting as well as published TBL reports of major corporations were reviewed to develop a set of criteria for use by other researchers and practitioners to evaluate the utility of the TBL framework. The reviews were a critical assessment of these published works. A traditional approach of literature review was used to build the criteria against the utility of the TBL framework. The timing of this activity coincided with the early stages of the interviews-analysis component of the research in terms of structuring the interview questions. The criteria, as shown by the interview questions (Appendix 1) were then further developed throughout the engagement process with the forty corporations, and were used to evaluate the TBL reporting against these corporations towards the end of the interview stage. Since most of the interview questions were built immediately and also sometimes simultaneously along with the literature review, the interview results and data played a big role in developing an argument against TBL as a robust framework.

Interviews of major corporations

The interviews with the forty corporations incorporated semi structured interviews as part of a methodology of content analyses and ethnography. The outcomes are a set of results and findings from the interviews that address the component research questions. The interviews commenced in October 2009 and were completed in October 2010. Prior to this period, an analysis of the TBL reports and/or reporting process of the corporation was done. Then, a preliminary interview was done with each corporation to confirm their acceptance to participate in the interview and also to make sure that they would be able to provide relevant information regarding the TBL framework as a reporting tool. This is due to the possibility that these corporations might be moving away from a TBL reporting framework and not care to share too

much about an out-dated concept. Upon acceptance to participate, semi-structured interviews were carried out face-to-face as well as over the phone, with forty corporations in Australia, Europe, and USA. The interviewees comprised the head of the sustainability/corporate citizenship/corporate social responsibility division for the entire corporation and who were in charge of developing the corporations' TBL reports and reporting processes. These interviews not only paved a path to generate data; they also enabled those involved to reflect on what they had learnt and achieved through the process and what they wish they could have done or can do differently. The interviews provided an opportunity to learn from the experience of those who accepted, developed and implemented TBL reporting.

Forty major corporations: TBL reporting in a global context

The corporations used for this research were selected through a screening process across three sustainability indexes (DJSI, FTSE4Good, Forbes Global 100 and CDP) to highlight corporations that were proven to have best practices in non-financial reporting. A selection of forty corporations from Australia, Switzerland, Germany, England, Canada and USA were selected. The majority of the corporations are based in the Asia-Pacific region. These corporations represented an opportunity to contribute both theoretically and practically. From a theoretical perspective, concerns about the environmental and social sustainability associated with corporate activities around the world have significantly altered social attitudes. There is a perception that the capitalistic mode of net benefits and focus on driving the bottom line of net profit is heavily driven by production extensively driven by exploiting environmental and social resources. There is a large amount of pressure on corporations to account for their activities and its environmental and social impacts, and not just focusing on economic terms. This shows the shift in the social contract and has certainly driven corporations to legitimize their economically driven activities through their public reporting mechanisms in response to these changing social norms and values. In other words, corporations want to maintain their social licence to operate and gain corporate legitimacy by modifying their behaviour (Dowling & Pfeffer, 1975, p.125).

As a practical response to broader societal concern about the social responsibility of corporate activities, the response to TBL reporting by corporations was great in that TBL was adopted as a reporting framework by majority of corporations. The interest in TBL reporting within corporations and the industries as a whole is mainly driven by a perception that corporations and industries can implement it to signify and publicize their efforts in trying to reduce the negative environmental impacts of their operations while also attempting to report on the positive social, environmental and economic impacts for communities that are dependent on the corporations to a certain extent. TBL's major contribution was the inclusion of the social dimension and this was significant in that it brought a new spin to the existent argument between economic growth and environmental degradation.

The key objective and practical initiative from the research aims to show the limitations in the TBL framework and possibly highlight to the corporations in the selection about areas for improvement in terms of their disclosures to the public. A set of interviews was used as the major method of investigation. This led to a collaborative learning with the corporations while simultaneously building the case and argument against TBL being a relevant approach in today's reporting arena.

Theories used to analyse the interview-data results

Theories from a number of disciplines have been drawn to determine how to understand the evidence from the interviews in terms of each component question. Each of the theories used to analyse the interview data is placed within another set of theories that combine to form an integrated theoretical assessment of whether TBL reporting has led to enhanced form of reporting for corporations or has had a negative impact. The theoretical frameworks allowed the analysis to go beyond simply looking at whether TBL has become institutionalized in corporate culture, and more towards identifying the type and depth of institutionalization, using institutional theory (Powell & Dimaggio, 1991). In addition, stakeholder theory, reputation and legitimacy theory were to see if there was a strong link between the adoption of TBL and an increase in corporate reputation and legitimacy to satisfy stakeholders' needs.

Methodological foundations

The key elements of the approach to research are its foundation on the use of interviews that necessitates the generation of qualitative data and the use of content analyses and interviews analysis. The collaboration with the forty corporations led to the generation of two sets of data. The first data set was derived from the review of literature and TBL reports. The second set of data was derived from the engagement with the corporations in the selection through which interview transcripts were generated and where the outcomes of the TBL reporting were discussed. These research activities, involving the flow of thoughts and ideas on the application and function of TBL reporting led to data sets that were qualitative in nature. The methodology is presented in Chapter 4.

Mapping research process to research questions

To help understand the structure for this thesis, it is useful to go back to the research question and its component parts and match them with the two research activities described above. The matrix presented in Figure 1 uses ticks of different sizes to show which aspect of the research process was used to address which question.

Figure 1: Matrix to match key questions with research progress stages

Question		Literature review	Data generation & analysis		Interpretation
			Review of TBL reports	Interviews and observations with forty corporations	
Back-ground questions	TBL reporting? Issues?	✓	✓	✓	✓
Key research questions	Stakeholder theory	✓	✓	✓	✓
	Reputation	✓	✓	✓	✓
	Legitimacy theory	✓	✓	✓	✓

The larger sized ticks indicate that the answer to that question is predominantly sourced from the activities undertaken as part of that stage of the research process. The matrix also depicts the understanding of issues related to TBL reporting developed from the understanding of the literature and from the hands on experience as an active contributor to the critical analysis (weakness and limitations of TBL) of the TBL framework.

1.3 Outline of the Thesis

Figure 2 shows the key components of the research process to indicate their place in the thesis structure. Like Figure 1, it is divided into four components, with the two research activities in the center columns. Even though the two research activities occurred in a fairly concurrent manner, the thesis dissertation is structured so that these two activities are presented separately to make it easier for the reader to follow.

Figure 2: Mapping the research components to the thesis structure

Introduction Chapter 1	Stage one: Review of literature and TBL reports	Stage two: Interviews with 40 corporations	Stage three: Discussion & Conclusion Key findings summarized Areas for future research
<p>Research question: Do managers responsible for TBL Reporting believe that the TBL Concept is adequate to the task of defining and reporting on the broader financial and non-financial impacts that companies truly desire; if not, what are the limitations inherent in the concept with which they struggle?</p> <p>What is TBL reporting?</p> <p>What are some of the limitations?</p> <p>Focus on process → Outcomes</p> <p>Literature review (Publication #1): Background to TBL Reporting and literature on CSR What is TBL reporting? Are there limitations?</p>	<p>Empirical analysis linking TBL flaws with corporate TBL reports (Publication #2)</p>	<p>Critical interpretations (Publication #3)</p> <p>Finding a linkage between TBL adoption and enhanced reputation and legitimacy (Publication #4)</p> <p>Understanding the progression of corporate reporting practices through TBL using a five stage model (Publication #5)</p>	

The introductory components of the thesis have been presented in this chapter including a preview of the background to the research and highlight the research questions and the key component questions.

The first article (Chapter 2) which has been published in the International Journal Business Governance and Ethics (IJBGE) is an overview of the relevant academic literature and limitations identified on the TBL framework.

The second article (Chapter 3) has been accepted for publication in the Asian Journal of Business Ethics. It is an empirical study of TBL reports and its correlation with weaknesses in the TBL framework, which were identified in the first article.

The third article (Chapter 5) disseminates the analysis and findings from the data gathering stage. The article, published in the Interdisciplinary Environmental Review journal, summarizes the findings from the interviews conducted with the selection of forty corporations. The paper also provides an overview on the linkage between the data and the limitations of TBL traced back to the first two articles.

The fourth article (Chapter 6) which has been published in the Corporate Reputation Review Journal investigates the correlation between adopting TBL and improving reputation and legitimacy. Throughout the literature review, the difficulty in tracing tangible outcomes through TBL reporting was deciphered. This paper simply aims to make this finding explicit.

The fifth article (Chapter 7) which has been accepted for publication in the Asian Journal of Business Ethics looks at the evolution of non-financial reporting at the forty corporations in the selection. After identifying six major dimensions or drivers of non-financial reporting, and building a five-stage model that maps the improvements in reporting processes, an evidence-based investigation is carried out to see whether TBL has actually pushed corporations along the five stages or held them back due to its outdated principles within the six dimensions.

Chapter 8 provides the conclusion and a review of the thesis. The thesis contributes to understanding the extent to which TBL has held corporations back in terms of improving their

non-financial reporting systems and processes. This study has been carried out on a global setting. Developing a better understanding of how corporations interpret TBL and dissecting the fundamental weaknesses within the framework will help researchers and practitioners develop a more robust non-financial reporting framework.

CHAPTER 2 A MULTI-DIMENSIONAL CRITICISM OF THE TRIPLE BOTTOM LINE REPORTING APPROACH (LITERATURE REVIEW)

The first article (Chapter 2) was published in the International Journal of Business Governance and Ethics and provides a literature review on TBL as well as identifying the major limitations within this framework. The literature review is divided into four main sections which complement the remaining articles in this thesis. The first section reviews the literature on non-financial reporting. The second section reviews the literature on TBL. The third section provides a comprehensive review on the limitations within TBL. The final section reviews the future directions for TBL. There have been few previous studies that have thoroughly identified weaknesses within this framework or addressed the future possibilities and directions for the evolution of TBL principles. The significance of the above literature in relation to TBL is further discussed in the literature review.

Citation

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A multi-dimensional criticism of the triple bottom line reporting approach

Abstract

There is a large gap in academic literature contextualizing the limitations within the Triple Bottom Line (TBL) framework; this paper aims to address that gap. While the Triple Bottom Line approach has triggered a sense of shift in ways companies think about sustainable reporting, there are still many limitations within TBL. The fundamental roots of TBL are ingrained in a quantitative framework and have no sense of integration or a systemic approach to viewing problems. The main purpose of this paper is to provide a critical review of the TBL approach and its weaknesses. The paper provides a detailed literature review of the evolution of TBL, and then shifts towards the limitations of TBL especially in terms of measurement and the lack of systemic thinking. The methodology of this paper revolves around scanning journal articles and books on the TBL, its application in practice, the principles underlying its existence, and also developing a foundation for analyzing its limitations.

Keywords

Triple bottom line; institutional theory; sustainable reporting; measurement; compliance; systems thinking; CSR; corporate social responsibility; environmental sustainability; corporate reporting; social sustainability; metaphor.

2.1 Introduction

Corporations have shown a major interest in corporate social responsibility (CSR) by increasingly believing that maximizing shareholder value, while being a business goal, is not their only target. There is intense pressure by stakeholders on corporations to recognize and manage the wide and complex demands and interests of various stakeholder groups (Castka, Balzarova, Bamber & Sharp, 2004; Mitchell, Agle & Wood, 1997). Stakeholders can be defined as an individual or group that has a stake in a corporation that can be affected by, or is affected by the goals and motivations of corporations and their objectives (Freeman, 1984). Growing concerns surrounding corporate activities and impacts around environmental and social issues have had a detrimental impact on corporate image and value, thus leading to the increased awareness and importance of CSR, especially non-financial reporting. The management of a corporation possesses the responsibility of maintaining society's economic resources, which consist primarily of natural and human resources. In order for the social systems to function, natural systems should be carefully handled, as it provides the sustenance for the social system to function. A corporation assumes the right to control society's economic resources once it decides to use its assets and needs to be held accountable on how it uses these assets. Since the society grants corporations the right to use their assets to affect economic resources, the society assumes the responsibility of holding corporations accountable and responsible on how they use their assets. In recent past, regulatory agencies and other governing bodies have begun to investigate and also assist corporate management in assessing their Corporate Social Responsibility (CSR). Corporations conduct the process of transforming natural and social resources into economic goods and services for their own benefits. This transformation process needs to be transparent and publicly available information is necessary to showcase the corporation's intention of showing resource stewardship. The accuracy, relevance and transparency of information contained in companies' measurement and accountability systems have a place of high importance in the ability to hold accountable those companies that have been given the right and responsibility for society's resources.

Owing to constant public pressure, the corporate world has undertaken a righteous path towards improving performance on issues that are environmental and social, in addition to the economic issue, by embracing the TBL reporting system. TBL has been a very important moment in corporate reporting history, as it has had a huge impact in reorienting the way corporations think about their reporting framework. TBL is a popular and fashionable tool for companies to conduct a thorough analysis and reporting framework for pushing themselves towards becoming more sustainable. The TBL provides both a model for understanding sustainability and a system of performance measurement, accounting, auditing and reporting (Elkington, 1997; Vanclay, 2004). This allows TBL to be part of a larger framework and push for change management and integration in business decisions (Suggett and Goodsir, 2002). Recent research has shown that companies implementing TBL are actually trying to change the way in which they do business (Kimmitt and Boyd, 2004). The TBL is conceived as a popular reporting tool describing corporate social, environmental and economic performance. TBL is focused on trying to make corporations aware of not only the economic value they add to society, but also the environmental and social value they add or destroy. A fundamental claim of the TBL is that the data gathered around community, suppliers employees, customers and other stakeholder metrics should be measured, calculated and reported similar to the financial performance of a company (Norman and MacDonald, 2003). By creating TBL statements, a corporation shows an image of concern and sensitivity to the three dimensions of responsibility: economic, environmental and social. Throughout its evolution, the TBL approach has been implemented by corporations for a number of purposes. Some research shows that corporations use the TBL approach to enhance their corporate image (Schilizzi, 2002). Others (Cheney, 2004) state that it is a form of engagement in environmental and social activities undertaken for corporations. While there are numerous concepts and reporting frameworks today, the TBL has certainly established itself with wide adoption by corporations around the world, public agencies and even the general public (Berger et al., 2007; Henriques and Richardson, 2004; Morland, 2006).

Aim of the paper

The aims of the paper are to provide a literature review on the TBL approach and also provide criticisms of the approach. TBL has been institutionalized as a way of thinking for corporate sustainability. However, TBL is a conservative approach to sustainability as it lacks the principles to incorporate social and natural sciences in order to effectively promote corporate sustainability. There is a lack of systematic thinking in TBL, which is also required if it is going to develop sustainability in corporations. The gaps in the knowledge around these areas have been explained in detail in this paper.

Evolution of environmental sustainability

The concept of environmental sustainability essentially deals with preserving the natural resources of this planet not only for the present but also for the future generations. In the 1960s and 1970s, extensive research has shown that human and corporate activities have arguably had a major contribution towards leaving the natural environment in a disastrous state. While the foundation of sustainability problems can be traced to political and cultural issues (Hart, 1997), corporations and their activities have certainly had a significant impact on the environment. Companies rose to the challenge of environmentally thoughtful stewardship as society started to demand a cleaner environment (Hoffman, 2000). In the 1990s, people who were fundamental in the environmental movement began to involve corporations in the subject of environmental sustainability trying to change the mental framework of companies and their mission. While corporations started to embrace this subject and undertook sustainability initiatives, the subject of social sustainability was essential to fulfill the need of achieving environmental sustainability as well. For example, The Natural Step (a non-profit environmental education corporation working to build an ecologically and economically sustainable society) introduced social awareness as an integral component, identifying four 'system conditions' required to achieve a sustainable society: nature must not be subjected to systematically increasing concentrations of substances extracted from the Earth's crust; nature must not be subjected to systematically increasing concentrations of substances produced by society; nature must not be subjected to systematically increasing degradation by physical means; the ability of humans to meet their needs worldwide must not be systematically undermined (Robert, 2003).

Looking at the four conditions listed earlier, three of them are relatable clearly with environmental conditions while the fourth condition is vague in terms of the social issue. The first three states that “nature must not be subjected to ...” followed by specific, if complex, requirements. What can be determined from this is that if an action violates a condition, this can be clearly defined and understood. The fourth condition does not really define what the meaning of the object of the condition is. To comprehend whether an action actually violates a condition, one must not only know about the action but also understand what it means to hurt the ability of humans to meet their needs. This shows that social sustainability has probably been conceived as a weak idea and has probably been attached to the TBL framework as an afterthought (Monevaa et al., 2006). Another school of thought is perhaps the social systems are so different from the environmental systems that creating a similarity or linkage between the two is almost impossible. For businesses, the idea of social sustainability is implemented into the reporting system to allow them to continue to operate by developing good relations with their employees, unions, supply chain partners, etc. (Adams and Frost, 2008). One option that managers are doing these days is to reduce the social resources into measurable terms and also finding ways to maximize the potential from these resources. Hawken et al. (1999) attempt to broaden this perspective they refer to as human or social capital (Hawken et al., 1999) by including it as one of four primary ‘types’ of capital: natural, manufactured, financial and human. Corporations become sustainable when these four types of capital are managed effectively (Hawken et al., 1999). Social capital, for example, is definitely a profit generator for companies and they need to be measured, evaluated and treated with care. Social sustainability is completely different to environmental sustainability. The focus of social sustainability differs from environmental sustainability in that the measurement of social indicators becomes harder to define. This leads to the concept of the TBL approach and how the TBL attempts at measuring all three dimensions.

Transformation of corporate reporting

Over the years, companies have realized that corporate reporting has become an integral part of the business and the methods by which companies choose to conduct their reporting have evolved. Figure 3 shows briefly the key areas of how corporate reporting has changed.

Figure 3: Transformation of corporate reporting (Suggett & Goodsir, 2002)

Transformation of corporate reporting	
Old reporting system	New reporting system
FOCUS ON SHAREHOLDER	FOCUS ON STAKEHOLDER
PAPER BASED	PAPER AND WEB BASED
STANDARDIZED INFORMATION	TAILORED STAKEHOLDER INFORMATION
FINANCIAL INFORMATION	SOCIAL, ECONOMIC AND ENVIRONMENTAL INFORMATION
COMPANY CONTROLLED INFORMATION	OPEN AND TRANSPARENT INFORMATION
PERIODIC REPORTING	CONTINUOUS REPORTING
DISTRIBUTION OF INFORMATION	STAKEHOLDER DIALOGUE
TECHNICAL FEATURES AND PAST PERFORMANCE	GREATER EMPHASIS ON STRATEGIES, FUTURE PROJECTS, SUSTAINABILITY
HISTORICAL COST	VALUE BASED ASSESSMENTS
AUDIT OF ACCOUNTS	ASSURANCE OF UNDERLYING SYSTEM
ESSENTIALLY STATIC SYSTEM	CONTINUOUSLY EVOLVING MODEL

First, the change from looking at reporting from a shareholder perspective to a stakeholder perspective is one of the major changes in corporate reporting. Profit maximization used to be the main focus for businesses under the old reporting system. However, they have become aware of how their processes affect the natural and human resources. One way to address this issue is to address the needs of the stakeholder groups, have a dialogue with them, and make sure that they are aware and satisfied with the company's current reporting system. Stakeholders play an integral role in the profitability of the business today as they can influence various decisions that could prove to be disastrous for companies. This is another reason that companies are aggressively engaging with stakeholders and not just shareholders. Second, the way information is created and disseminated to the stakeholders has also evolved. Today, companies

are pushing more towards a web-based system for distributing their reports. In addition, the information in these reports is more customized towards what stakeholders want to see as opposed to providing standardized information. The information contained in companies' CSR reports covers the social, economic and environmental aspects of reporting and some companies are trying to go beyond these three areas to report on other areas that concern their business and stakeholders. They also try to capture data and analyze it based on its value added to the company and not based on historical costs. These are all big steps that companies have taken regarding their information dissemination. Companies want to be more accountable and transparent to their stakeholders. Third, companies look at reporting as a continuous process rather than producing periodic reports. The research in sustainability and reporting is constantly evolving and companies are aware that their stakeholders want to be constantly informed of how the company is adjusting itself to this evolution. Fourth and most importantly, stakeholders want to have a dialogue with the company. Previously, companies could not see this as being important. However, they have recognized this to be an important part of their reporting process as feedback from stakeholders as to what metrics and variables are important for reporting can be of great help to the companies' reporting process. A company's reporting model is a constantly evolving model. Finally, companies use their reporting techniques to build their business strategy. Previously, companies might have created CSR reports just to address stakeholder needs. Today, companies are reporting to build and frame their business strategy around their sustainability efforts. This complements their reporting system and makes the entire reporting process integrated and clear.

2.2 Literature review

The bridge between managing from a practical sense and the true aspirations of company is becoming narrow and tense, which is highlighted in books such as the *Chrysalis Economy* (Elkington, 2001) and *Cannibals With Forks* (Elkington, 1997). Windsor's research shows the delicate balance between the goals of having economic development such as reducing poverty, with the social and environmental consequences of achieving this economic development (Windsor, 2002). In the past couple of decades, many proposals and reporting approaches have

been introduced to push companies out of the boundary to report not only on financial dimensions, but also on their contributions to society. The desire to make other factors an additional indicator of a firm's health besides its financial performance is the current initiative. Much research has been done to find suitable corporate measures that provide more legitimacy and transparency in corporate reporting (Gray, 2002; Lehman, 1999; Perrini and Tencati, 2006). The balanced scorecard, intellectual capital assessment, environmental and social audits and, in general, the tools of social accounting and social impact analysis (Epstein and Birchard, 1999; Scott and Jackson, 2002; Unerman et al., 2007) have also arrived to help focus the concerns of those seeking to make business more accountable, transparent and sustainable. The metrics and codes to measure performance have been largely developed around environmental efficiency but also attempts at raising awareness about social responsibility. This aggressive search and research is happening at a time when public governmental bodies and watchdogs are scrutinizing and investigating corporate reports in terms of their non-economic contributions to society. There is a huge movement now towards companies having to provide more transparency in their day-to-day functions and to disclose information about its social and environmental performance (Ho and Taylor, 2007). The concept of the TBL approach has become more and more fashionable in management over the last few years. The TBL approach has cemented itself as the dominant way of accounting in the public section and also a way for firms to showcase their desire to become sustainable (Robins, 2006; Savitz and Weber, 2006). TBL reporting has garnered more attention over the past decade, as corporations increasingly tend to rationalize their financial outcomes based on economic, environmental and social data (Zadek & McIntosh, 2002). As stakeholders put pressure on corporations to link value creation to the three dimensions of TBL reporting (economic, environment and social), corporations are forced to create and develop new reporting frameworks and solutions (Yew, 2000; Friedman, 2000). TBL was a timely idea and creation to fill this gap. TBL reporting is an approach or an expression that encapsulates three important dimensions of business performance: economic, environment and social (Elkington, 2007). The economic performance reflects the success corporations have in the marketplace and their responsibility towards shareholders (Norman & Macdonald, 2003). Environmental performance shows the compliance towards government

mandates and regulations towards a group of environmentally aware customers. Social performance shows stakeholder management especially with the workforce and the local community. In addition, the concept has been widely diffused and adopted by the public and by scholars. A mere six years after Elkington's coining of the term, the search engine Google reveals 52,400 web entries concerned with the topic, and as of 9 September 2009, the number of hits are 1,190,000. The Global Reporting Initiative (GRI) is a corporation that develops indicators and ways of measuring them for companies to adhere to when creating their CSR reports. It is the most relevant institution in the non-financial reporting context. The GRI has 507 participating corporations, including some of the world's largest companies (Bishop and Beckett, 2000; Raar, 2002; von Kutzschenback and Brown, 2006). The GRI has developed the GRI guidelines that constitute a model of TBL reporting. One of the key issues Elkington (1997) has identified from conducting extensive research in reporting systems and sustainability is around the area of Transparency. A medium like the internet makes information easily accessible, and the information makes companies transparent. Companies, with their reputations at stake, need to better track their environmental impact. Measurement tools are available but many of them conveniently lack the ease of use. Today, corporations are developing more sophisticated views of their relationship with the community, which requires a customized approach to reporting based on the firm's own view of itself and its place.

2.3 Criticisms of TBL

While TBL maybe the official benchmark for many corporations, as a measurement system, it is an ill-structured, poorly defined measure. It does not focus on improving or clarifying key measures of corporate well-being. The TBL is mainly trying to satisfy a public concern that companies are failing in their efforts to be ethical and act as good corporate citizens. However, TBL does not present interrelationships between its three components that are essential to corporate health. The key question is how TBL gets companies beyond compliance. Slavish adherence to the TBL is only holding companies back from developing themselves to the next level. A much more comprehensive approach will be needed that involves a wide range of stakeholders and coordinates across many areas of public policy.

There are a number of limitations within the TBL framework. The research shows that the social indicator of the TBL approach should not be looked at as a decision factor. In economics, methods like cost benefit analysis can be used to provide a dollar value, which gives a simple decision. However, the social indicator leads to outcomes that are shared by other variables and not accumulated like a profit or loss number. Social impacts cannot be precisely defined since the impact it has on the community and individuals is varied. Sustainability reports by corporations in the Dow Jones Sustainability Index showcase this problem explicitly. Social information is squeezed. For example, Toyota, one of the more sustainable corporations, has a section of its report dedicated to Social Performance. They measure number of employees, turnover rate, employee satisfaction, etc. The reason for this is to not only to comply with the GRI but also to get included in the DJSI; these indicators are a necessity for inclusion. However, these are HR indicators reframed to be social by representing the companies' value to the community as a good employer. Companies like Toyota do not focus on final social outcomes, e.g., what the lack of turnover does for local employment levels and how it boosts the social capital of the community. For the social indicator to be truly effective in its role of minimizing impacts and maximizing benefits through development and mitigation mechanisms, it needs to be simplified, and has to be considered as a process of management change. TBL is seen as a decision algorithm and therefore fails to deal with the process issues.

Bottom line as a metaphor

The greatest possible outcome from developing the TBL approach was that it worked as a metaphor that allowed people's minds to easily comprehend environmental and social achievements in an acceptable form. The great achievement of the TBL is as a metaphor that frames environmental and social achievements in a form easily acceptable to the business mind. The main symbol of the bottom line is the net income reported on the financial statements of publicly held corporations. Net income is the difference between the revenues of a period generated by selling the corporation's products or services and the costs of producing and selling those products or services and captures the corporation's inflows and outflows in a

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single figure. As a metaphor, companies define a bottom line as the information capture of a collection of various activities, which allows for integration of different effects into one small presentation or number (Morland, 2006). The TBL also uses its metaphoric powers and applies it to the social and environmental issues of a corporation. However, a corporation that operates purely from an economic perspective, i.e., profit maximization, creates a question of legitimacy in terms of how the social and environmental accounting is conducted. TBL has become a new mindset. In institutional terms, it has institutionalized a behavior that creates three separate outcomes. This is a mental barrier to systems thinking.

TBL and institutional theory

Institutional theory can be used to determine the manner in which corporations tend to accept TBL as an institution as institutional theory looks at how institutional ingredients get embedded into institutions and eventually become a widely accepted practice or framework. An institution is a rule, routine or framework that has been widely accepted over time to be the norm for a particular practice (Meyer & Rowan, 1977). Institutional theory is an approach that tries to explain the reasoning behind deep relationships between corporations and their surrounding institutional environments (Scott, 1995, 2001; Meyer & Rowan, 1997). According to Oliver (1991), the theory shows that the catalyst pushing corporate activity is based on the need for corporations to co-exist with their external environments and pressures in a similar manner in which other corporations successfully reacted to institutional pressures and norms. Hence, the corporations that can adapt and successfully face institutional pressures have a greater chance of being able to grasp scarce opportunities and resources that are required to maintain their license to operate and be ready to meet and counterattack any competitive threats (Baum & Oliver, 1991).

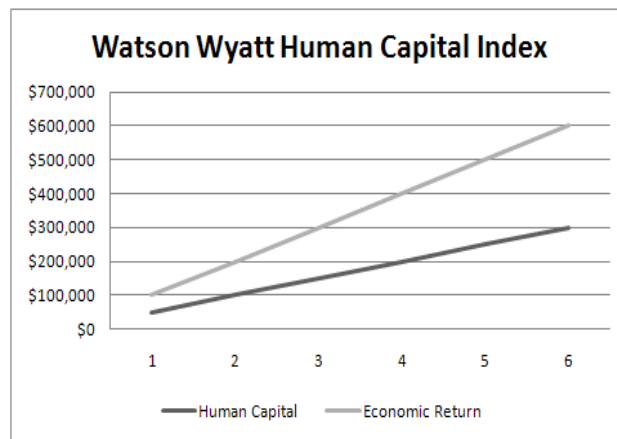
TBL has been institutionalized in the non-financial reporting space because its normative rules are connected with associations between the financial and the social and environmental dimensions of reporting (Robins, 2006). TBL was formed because a gap in the corporate reporting practices especially around the area of CSR and sustainability was present (Zucker,

1986). TBL was created with an objective goal in mind although it functions in a more subjective manner. It was (and still is) an institution that helped corporations legitimate their corporate activities in the eyes of their stakeholders. However, the manner in which TBL was to be carried out differed in the eyes of corporations and stakeholders. This was due to TBL's deviance from its institutionally programmed course of actions in measurement and integration of financial and non-financial information (Norman & Macdonald, 2003). The initial promise made by TBL was to make improvements in measurement of non-financial information, especially in the social dimension (Elkington, 1998). While non-financial reporting is still voluntary, it appears through the lens of institutional theory that corporations adopted TBL mainly to be 'compliant'/imitate other corporations who were following TBL and have improved engagement and relationships with their stakeholders.

TBL and systems thinking

One of the deficiencies still present in the current sustainable reporting system is the lack of systems thinking, especially when trying to link management interrelation occurring within the corporation on one or other dimensions of sustainability, or a cause-effect sequence between inefficiencies in HR and ecological sustainability. For example, the GRI has an indicator for HR. The impact of investing in a corporation's HR has been theorized to have an impact on the corporation's ecological sustainability/footprint (Dunphy et al., 2003). However, there is no measurement system that captures this interlink age. Watson Wyatt have a Human Capital Index, which shows that if an corporation is doing better with its human capital, it will also be better in its returns for its shareholders, as shown in Figure 4 (Wyatt, 2009).

Figure 4: Wyatt's human capital index



However, the investment in HR is linked to the economic returns to the corporation and no other elements of the TBL. Royal and O'Donnell have developed a set of qualitative HR indicators. When analyzing which corporations are sustainable, a mix of qualitative and quantitative analysis eventually required. To make investment decisions that are more transparent, an integrated approach is required (Royal and O'Donnell, 2008). Their project will eventually link these qualitative indicators to sustainability outcomes, but to date such a connection has yet to be achieved.

The TBL approach is essential at pushing decision-makers to understand and fulfill their obligation to minimize their negative effects on the environment and also enhance their social responsibility with the community through their corporate activities. The interdependence of social, economic and environmental factors is integral in meeting the needs and expectations of a community (Downes et al., 2002). In practice, the TBL does not really provide any form of integration between the three bottom lines. Early sustainability literature focused on the concept of systems thinking and wanted people to think holistically and look for patterns and ways to find interrelationships between the natural and social systems. This was a development of systems theory (Tilbury and Wortman, 2004). In very simple terms, systems theory is the understanding that a system comprises interrelated parts and is greater than the sum of its parts. Over the past three decades, the works of Capra and Sterling have pushed environmentalists to take a systemic approach when exploring ways to solve environmental and social issues (Capra, 1975, 1996; Sterling, 2001, 2005). In essence, sustainability is about healthy systems. The issue

of environmental sustainability is growing as the subject of sustainable development plays a bigger and bigger role (Bartlett, 1997). The system should have balance and look for a win-win interaction between its parts so that they can all flourish together over the future. If any one part becomes a win-lose scenario, the system as a whole is deflated. Systems thinking should be seen as an integrative process that allows the mind to grasp difficult relations, interactions and problematic situations and look at it beyond a cause and effect relationship perspective. This pushes the thinking to go one step further and create a strong grasp on complex occurring phenomena.

Measurement

The TBL approach is difficult to measure. Under the social indicator, the measurement of metrics such as loyalty and charitable donations is complex and it is hard to determine changes in these areas especially in the short term. Today, the benefits and costs are tested against a company's financial position. When a company is faced with the decision of implementing a reporting system, it always has to make choices: how much resources are required; selecting the technique for measurement; the approach that should be used to measure, whether one developed by the company or using an external source such as environmental consultants. The current state of this issue is that the measurement systems in practice today use the method of trial and error, as there is no one hugely accepted reporting system. Elkington claims two strengths attributed to the TBL approach known as the measurement claim and the aggregation claim. "The Measurement Claim states that components of 'social performance' or 'social impact' can be measured in relatively objective ways on the basis of standard indicators. The Aggregation Claim states that a social net profit or loss can be calculated once the data from indicators mentioned in the measurement claim have been gathered and a formula can then be used to derive the social net profit or loss (Norman and MacDonald, 2003). This sounds analogous to a financial net profit or loss; however, deriving a social net profit or loss for an indicator as complex and qualitative as the social indicator is absurd. The social and environmental performance for each corporation and industry is unique and is extremely difficult to quantify (Hubbard, 2006). The major problem with the claims and measuring social

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performance is the distinction that needs to be made between quantitative and qualitative analysis. Determining how good or bad an action is can be a qualitative result of a social impact of corporate activities. Using the TBL approach to make a qualitative result into a quantitative figure poses a huge misrepresentation of how the future development process needs to be shaped.

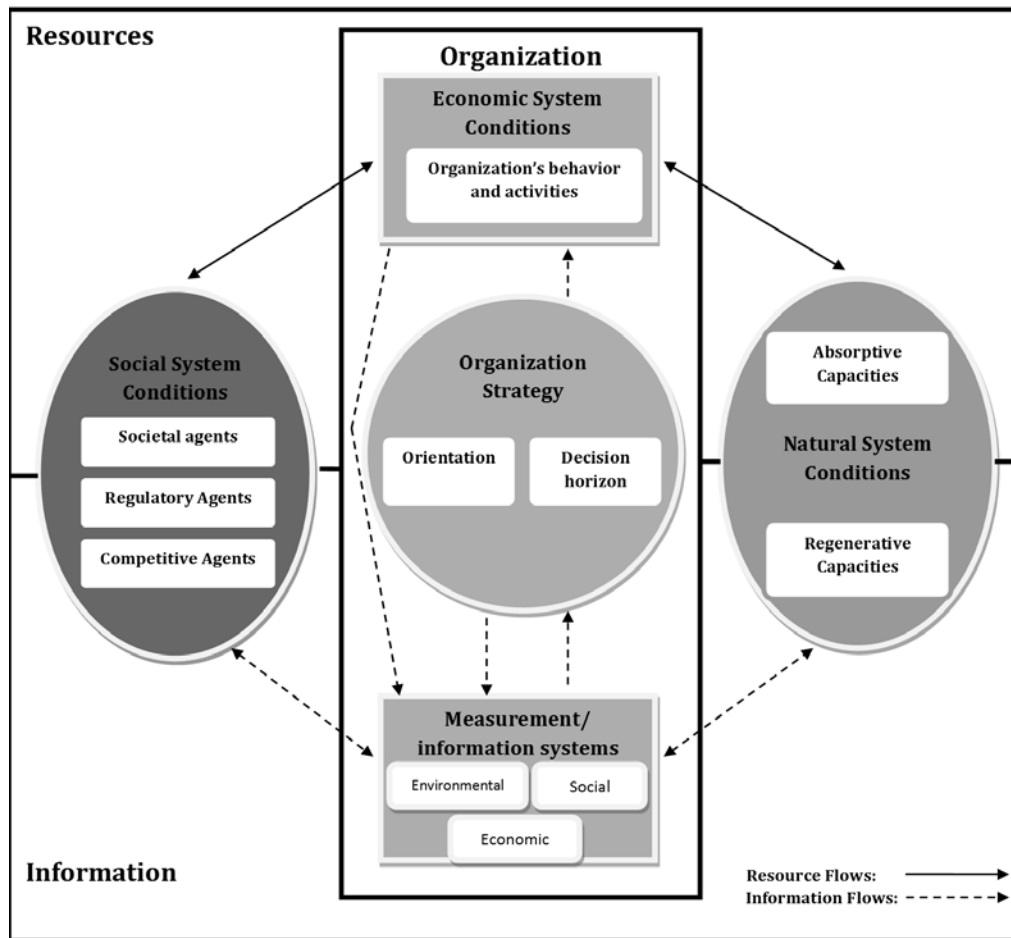
A common unit of account

The TBL approach shows no way of ranking the requirements of different stakeholder groups. It provides no sense of integration across the three TBL principles. There is no proper qualitative or quantitative synthesis across all three bottom lines (Robins, 2006). The introduction of the TBL into the framework of profit maximization introduces risk and potential confusion. TBL substitutes three bottom lines for a single account of financial performance. The single objective of profit is replaced by three different objectives. Theoretically, this has the potential to cause business to lose focus and pursue plural and possibly inconsistent objectives. In this event, the outcome is more likely to be inefficiency.

Effect of TBL principles on behaviors and activities of the corporations

Figure 5 illustrates the resource and information flows associated with a business corporation. The corporation occupies the center of the diagram. The circle on the left represents the social system, and the circle to the right represents the natural system.

Figure 5: Resource and information flow in a corporation (Brown et al., 2006)



The top portion of the figure shows actual resource flows into and out of a business corporation. Both natural and social systems provide resource inputs to the corporation and both are impacted by its resource outputs. These inputs from the natural and social world inform the economic system of the corporation, and influence its behaviors and activities. In turn, the behaviors and activities of the business impact the natural and social world. The lower portion of Figure 5 shows information flows. The corporation's information systems and measurements identify, filter and measure inputs from the corporation's actions, the natural system and the social system. These inputs are then used to create, among other communications, TBL reports. Information flows between the corporation and the social and natural systems as well as throughout the corporation itself. The accounting systems inform the corporate strategies that ultimately motivate changes in the corporation's behaviors. So, ultimately, the process that produces corporate reports relies on information systems that collect information designed for,

and controlled by the corporation that takes a predominately economic perspective in collecting and analyzing information related to the natural and social systems. The major problem indicated in the diagram and found throughout this paper is the issue of measurement and integration. When information flows from the social, economic and natural conditions to the measurement systems, it is calculated individually, without being connected to consideration of other elements of the system. The three separate boxes in the measurement/information systems area needs to find a way linkage or integrate to make more sense of the information inflow.

2.4 Discussion

Can TBL reporting lead to change?

The most recent research of corporate reports paints the picture of how the reporting processes aim at creating a sense of impressing the public as opposed to really creating any major change. Corporate legitimacy is used as a framework for analyzing corporate reporting protocols according to most research (Dowling and Pfeffer, 1975). This concept of legitimacy indicates that corporations use their corporate reporting techniques to further enforce their social licence and continue functioning and operating, especially when they are faced with public scrutiny and criticism. The legitimacy used by corporations is usually assessed by comparing the information provided in the corporate reports regarding the companies' social and environmental impacts with the way the media and community report and interpret this information, to identify gaps in this depiction (Neu et al., 1998; Adams, 2004; Deegan et al., 2002). The findings from the research show that corporations conduct corporate reporting not only to impress the public but also to try and gain greater control over the sustainability issue and debate (Neu et al., 1998; Ogden and Clarke, 2005; Tregidga and Milne, 2006). Public participation and learning are key components necessary in the growth and development of the sustainability topic (Scott and Gough, 2003; Meppem and Gill, 1998; Buckingham-Hatfield and Percy, 1999). At present, companies are focused mainly on creating glossy corporate reports and evaluating the social and environmental information included in these reports show how companies are obsessed with how the reports need to be presented rather what information needs to be present in these reports. This preoccupation with presentation and not information pushes the attention away

from reflection and learning, which is required to enhance sustainability. To increase the potential for TBL reporting and creating change, one way would be to focus more attention on the evaluation of the ongoing and cyclical process of reporting: the capacity- and relationship-building that can occur, and how this in turn might impact on TBL outcomes. Building on principles of ‘civil learning’ and ‘conversational corporations’ (Zadek, 2001), Zadek has come up with a number of criteria upon which to evaluate the quality of social and ethical reporting that corporations might initiate. Further research has been done to find a link between reporting processes and the outcomes from the reporting. One approach to integrate and find linkages between reporting processes and outcomes is to see the reporting process as a learning process and developing stakeholder dialogue, so that the hidden assumptions ruling the thinking of corporations as well its external stakeholders can be exposed and fixed (Thomson and Bebbington, 2005). The difficulty in finding hidden assumptions is one of the major issues with creating change, especially when these assumptions are an ingrained part of corporate responses to difficult topics such as sustainability (Milne et al., 2006). Thomson and Bebbington (2005) have preached a collaborative learning process between the corporation and its stakeholders to try and come up with a joint solution for the sustainable reporting problem. This approach is consistent with corporate learning theory (Argyris and Schon, 1996) and provides a useful framework to analyze the link between reporting and learning (Gond and Herrbach, 2006; Antal and Sobczak, 2004). Another approach was used to examine how corporations changed after they adopted environmental accounting initiatives (Larrinaga-Gonzalez and Bebbington, 2001; Larrinaga-Gonzalez et al., 2001; Ball, 2007). While attempting to extract evidence for change, researchers discovered that new initiatives did not really result in much corporate change, but instead lead to ‘institutional appropriation’, which can be defined as the radical intent behind environmental accounting being lost by corporate hegemony, with the result that the answers that environmental accounting set out to answer was in fact unanswered (Larrinaga-Gonzalez and Bebbington, 2001). However, Ball’s (2007) study suggested that aligning the internal stakeholders’ goals and aspirations with that of the external stakeholders can provide not only corporate change but change towards a meaningful result. Other research that have examined the reporting process on sustainability have put forward the development of sustainability

indicators as a means of engaging the communities and stakeholder groups in the planning process, which is the most important stage of an corporation's change management path (Bell and Morse, 2004; Gahin et al., 2003; Potts, 2004). These studies recommend the use of collaborative learning and participatory approaches to facilitate discussion about how to enhance sustainability (Bell and Morse, 2004; Eckerberg and Mineur, 2003; Rogers, 2005). Sustainability indicators used in these approaches are, therefore, about empowering communities and stakeholders to identify what needs to be done to enhance sustainability rather than simply be part of the green washing movement.

2.5 Conclusion

The main themes arising from this paper revolves around TBL as a good starting framework for non-financial reporting; however, it has not pushed corporations to evolve towards best practice in integration, and objective forms of measurement, especially in the social dimension. TBL and other reporting systems that exist today provide a pathway for corporations to easily ignore or bypass key sustainability issues for a couple of reasons. First, corporations that wish to put on a facade of compliance and showcase themselves as embracing the sustainability movement can use any one of the current reporting systems to mask themselves from the external pressure to be more sustainable. Because of the absence of mandatory standards, corporations handpick metrics that they can easily measure and disclose information on these metrics while ignoring those that cannot be measured or those that could possibly show a darker side of the organization in terms of their sustainability initiatives. Second, and more directly towards the TBL reporting system, a lack of integration exists among the TBL principles as each principle is independent from the other in terms of its measurement. The pressure on companies to show links or interrelationships between these three principles and how one can affect the other is absent. Companies show separate data on each of the three principles and assume that they are doing a favor to the external environment, when the data is hard to understand, as there are no systems thinking in the report.

The best way for the TBL approach to gain practical credibility is to play an integral role in the planning process. Having effective integration among the three interdependent areas of the TBL is hindered by the specialized training of experts in each of the areas separately and by the institutionalized way in which they collect data under each of these areas (Gibson, 2006).

People need to recognize that the TBL reporting should not simply end at the data collection stage but recognize the fact that it should be essential to planning, and that the planning stage is a process and not simply an event. It is a process because it involves multiple interests from various stakeholder groups and has to absorb different opinions and interpretations from those different groups and accommodate them.

The argument is that integration of social, economic and ecological considerations is the essence of the concept of sustainability and must be a central consideration in the design and implementation of sustainability-based assessment. It would be fair to rename TBL as IBL or integrated bottom lines, as other issues like culture and corporate governance, are bottom lines that should be factored into the calculation. This process should allow the ability to facilitate the integration of the social, environmental and economic reporting. Research at creating integration should be undertaken as without it, the outcomes from the reporting may not really symbolize the collective interest of different groups, leading to misleading outcomes.

CHAPTER 3 THE THREE FUNDAMENTAL CRITICISMS OF THE TRIPLE BOTTOM LINE APPROACH: AN EMPIRICAL STUDY TO LINK SUSTAINABILITY REPORTS IN COMPANIES BASED IN THE ASIA PACIFIC REGION AND TBL SHORTCOMINGS

The second article (Chapter 3) has been accepted for publication in the Asian Journal of Business Ethics. It provides a review on the extent to which TBL limitations are manifest in practice by means of an analysis of TBL reports of corporations included in the Dow Jones Sustainability Index (DJSI). The performance of TBL was studied and compared across forty 'ethical' corporations in the Asia Pacific region (ethical here denotes that the corporations are included in ethical indexes like the DJSI). This paper was developed purely to get a better understanding of how corporations used TBL to achieve an intangible benefit in terms of getting included on the DJSI, and whether TBL was still hindering their progress in non-financial reporting despite this recognition on a global index.

The results show evidence that TBL functions as a selection mechanism for the corporations to get recognition for their sustainability efforts. In addition, this paper aimed to relate its findings back to the limitations of TBL made in the literature review. Firstly, the lack of integration among the three dimensions of TBL is evident in the TBL reports of corporations. Instead they use more of a balanced approach, reporting on each dimension separately. Secondly, unlike TBL's promise of social measurement and aggregation, the social dimension is reported in a subjective manner without the use of systematic data which would inform judgments about the impact of social interventions by the corporations, and traces of confusion as to what exactly the social data implies to their overall corporate strategy can be seen in the non-financial reports of these "included" corporations. The study also found that TBL functioned as a compliance-driven framework pushing corporations to adopt it in order to satisfy external pressures from stakeholders. However, corporations who want to evolve in their reporting journey are unable to

do so as they are constrained by TBL principles; in order to evolve, corporations have to ultimately go beyond TBL.

These findings have not been discussed in any of the TBL studies surveyed in the literature review and the findings suggest a different perspective on TBL reporting.

Citation

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The three fundamental criticisms of the Triple Bottom Line approach: An empirical study to link sustainability reports in companies based in the Asia Pacific region and TBL shortcomings

Abstract

In corporate reporting practices today, the Triple Bottom Line is seen as an institution that has revolutionized non-financial reporting practices. However, its practical application doesn't seem to have been aligned with its principles. While TBL reporting has been institutionalized as a way of thinking for corporate sustainability, institutions are constantly changing and improving, while TBL has been fairly conservative in its approach to change. This paper presents a criticism of the TBL approach that adds to the limited information on the pervasiveness of this approach. Content analysis of forty TBL reports have been analysed to provide data against the criticisms of TBL explained in the paper. The findings demonstrate that corporations have adopted TBL as a rhetorical tool rather than demonstrating principles of integration and social measurement, which underpin the theoretical framework of the TBL.

Keywords

Triple Bottom Line; Systems thinking; Institutional theory; Corporate Governance; Corporate Social Responsibility; Sustainability; Empirical analysis; Compliance; CSR reports.

3.1 Introduction

The Triple Bottom Line (TBL) has been an institution in non-financial reporting practices since the early 1990s. Corporate acceptance of this framework has certainly diminished over time but the fundamental reasons behind this are not explicit in academic research. Areas around social measurement, integration of financial and non-financial information, are but a few weaknesses in TBL that this paper aims to address.

Purpose of the paper

This paper presents three criticisms of the TBL approach that adds to the limited information on the pervasiveness of this approach. Existing research does not elaborate on the problematic issues of TBL nor is there any in-depth analytical work looking at corporations' failures upon their adoption of this framework. Our broad research question is: are there TBL shortcomings within the sustainability reports analysed that can be integrated with the weaknesses in TBL found in the research? In the following section we identify and discuss briefly the literature of TBL out of which we identify three fundamental criticisms of the TBL approach. The criticisms revolve around the measurement of TBL, the level of systemic thinking (integration) around TBL, and finally TBL's role as a compliance mechanism. Next we convert the criticisms into five questions and use forty reports from acknowledged listed corporations to inform out answers to these questions. The five questions/issues uncovered in the TBL analysis revolve around meaningful social performance measurement, aggregation of social performance data, integration, compliance and inclusion, and certification through standards to enhance corporate reputation. Our conclusion based on the findings is that the TBL reporting system depicts a negative outlook of what corporate sustainability should aim to be, in spite of raising awareness of multiple objectives for corporations to report against.

3.2 Literature review

Environmental and social factors are increasingly impacting the market in complex ways. Performance data look at a range of environmental efficiency based criteria, and also raises bigger questions about the issue of social responsibility. This growing awareness is developing

at a time when there is growing scrutiny by corporate and public administration bodies, as well as rising power of independent watchdogs. The necessity for corporations to disclose information about its social and environmental performance is growing (Ho and Taylor, 2007). In the last fifteen years, various proposals have been developed to overcome the focus on the financial performance of a corporation as the main indicator of a firm's health. The balanced scorecard (Kaplan and Norton, 2004), intellectual capital assessment, environmental and social audits, the tools of social accounting and social impact analysis (Epstein and Birchard, 1999, Scott and Jackson, 2002, Unerman, Bebbington and O'Dwyer, 2007) have arisen to help focus the concerns of those seeking to make business more accountable, transparent and sustainable. A coalition in search of corporate measures supportive of sustainability has attempted to achieve greater visibility and legitimacy (Gray, 2002, Lehman, 1999, Perrini and Tencati, 2006). Corporations should incorporate their economic, environmental and social requirements into their core values (Brown, 2005, Dunphy, Griffiths and Ben, 2003, Bishop and Beckett, 2000). In attempting to combine the very different and often competing, imperatives of profitability, social justice and environmental protection, we show that the Triple Bottom Line (TBL) approach is problematic, as seen in the reports. The conceptual roots of TBL are embedded in a quantitative, economic paradigm. In order to effectively take account of environmental and social issues the TBL framework must develop along genuinely trans-disciplinary lines that integrate social and natural sciences with economics.

The main function of the TBL approach is to make corporations aware of the environmental and social practices they add or destroy in the world, in addition to the economic value they add (Henriques and Richardson, 2004, Elkington, 1997, Berger, Cunningham and Drumwright, 2007, Morland, 2006). Recent research indicates that for a variety of reasons, corporations adopting Triple Bottom Line (TBL) reporting are making changes to the way they do, or at least think about, business (Kimmitt and Boyd, 2004). TBL has become a dominant approach today in terms of corporate reporting and being more transparent in accounting practices (Robins, 2006, Savitz and Weber, 2006). Corporations are vigorously creating and publishing TBL reports in order to showcase an image of care for the economic, environmental and social

dimensions of social responsibility (Raar, 2002, Morland, 2006, MacDonald and Norman, 2007, Robins, 2006).

The institutionalization of TBL

According to Pava (2007), the market is seen as an institution that is a socially constructed system that consists of rules, and these rules govern the economic exchanges within the market itself (Pava, 2007). Rather than regulating corporations, the Triple Bottom Line (TBL) is a method of pushing social problems and pressures towards economics and changing corporate behaviour through institutional pressure and self-regulation. TBL ideas are ingrained in various theoretical frameworks that challenge the notion of unrestricted capitalism. TBL can be seen as an institution that uses its institutional powers and pressures to change corporate behaviour. Institutions are constraints devised by actors that govern the way they interact, and these institutions can come in the form on rules and constraints (March and Olsen, 1995, North, 1992). In short, normative institutional theory asserts that institutions will react to changes in the environment by initiating reforms and welcoming greater complexity. This is evident in the growth of independent watchdog agencies, while more traditional institutions are also taking appropriate steps, particularly in support of corporate governance initiatives. Those corporations reporting and performing well on a TBL basis should enjoy increasing market-share while those businesses that resist pressure to embrace TBL are likely to suffer a loss of investor and consumer confidence over the longer term.

3.3 Methodology

We seek to explore the three criticisms of the TBL approach by drawing out five questions from the criticisms and conducting a review of sustainability reports to investigate and provide answers for the questions. The research design focused mainly on qualitative data from the sustainability reports of forty corporations. Content analysis was used to analyse the data. The main points for analysis are based on the three fundamental principles of TBL (economic, social, and environmental) and how the corporations reported against principles in their reporting system. We propose answers which are inferred by a content analysis of sustainability

reports produced from the top forty Asia-Pacific corporations in the Dow Jones Sustainability Index (DJSI). A number of sustainability indexes as well as internationally recognized standards and frameworks such as the Global Reporting Initiative (GRI) exist today. While the GRI non-financial reporting Guidelines (G3) is the leading reporting standard for the TBL approach, the analysis in this paper was centered more around the robustness of the TBL approach and the robustness around the selection criteria of the DJSI (criteria centered around TBL) used for the analysis, to understand how TBL and the selection criteria put forth by sustainability indexes are used by corporations in order to get selected and recognized for their efforts. The rationale behind the research design was to develop a qualitative argument against TBL based on the criticisms identified above. The rationale behind the sample was to focus on companies in the Asia-Pacific as the thesis is done in Australia. The Dow Jones Sustainability index has an Asia Pacific Top-40 index which was deemed suitable as a sample as Australian companies were included in the index. There were no ethical considerations with the data as it was public information.

Sampling and recruitment procedures

We faced a choice of how we should select a selection of large corporations. The DJSI was chosen because it was the first and robust global index formed to measure the financial performance of firms operating in a sustainable manner. Another reason for choosing corporations listed in the DJSI is that the index has some claim to rigor in that it is one of the indexes that actually remove corporations that have been unethical or found guilty of other wrongdoings. CSR as practiced in Europe and American theatre has been well documented with over a thousand articles while only 35 articles are dedicated to the Asia-Pacific region (ProQuest). The DJSI, in the context of TBL as the subject of research, has not been identified in numerous literary works and this is the basis for adopting this dataset. This article conducts the analysis on Asia-Pacific corporations listed in the DJSI, specifically in the area of Triple Bottom line and the robustness within the TBL approach as well as the robustness of the selection criteria of the DJSI.

Limitation

A research limitation in this paper is that only listed corporations included in the DJSI have been chosen to represent our selection. A further avenue for research would be incorporate corporations from various sustainability indexes, and those that are listed as well as not listed.

3.4 Criticisms of TBL

There are three major criticisms of TBL in this paper: TBL's measurement, TBL as a non-systemic approach, and TBL as a compliance/selection mechanism.

Criticism #1- The measurement of TBL

The measurement of TBL is complex. The measurement systems a company uses to measure intangible assets such as loyalty or reputation can be hazy, and it is a challenge to link changes in these areas to separate activities in the short term. In order to expand their measurement and reporting systems, corporations constantly and consistently state the different choices they have to make: whether it's in developing a reporting process that is integral to their business alone or to use external guidelines; where is the limit in terms of how much resources are used; what techniques or methods are best in terms of measurement. In addition, the objectivity and reliability of the values obtained through measurement is doubtful. More attention should be paid not only on 'how to measure' but also 'how reliable are the values once obtained'.

Social measurement

The first limitation of the TBL approach revolves around social measurement. Before discussing this limitation in detail, the advent of the Global Reporting Initiative (GRI) and their guidelines needs to be discussed to uncover how the framework has tried to overcome this limitation.

Global Reporting Initiative

The Global Reporting Initiative is arguably the largest and most widely accepted framework for corporate non-financial reporting. A 2008 survey by KPMG showed that more than 75% of 250 sustainability reports surveyed adhered to the GRI guidelines. The GRI consists of a number of

guidelines listing reporting principles, parameters, and provides 79 performance indicators for quantitative and qualitative reporting of non-financial information (GRI, 2006).

G3 guidelines- methodological advancements and limitations

GRI has put out the G3 guidelines which can be applied to corporations of different sizes and locations. It functions on a principles-based approach, and continues the multi-stakeholder process. There are currently three sets of indicators: core, additional and sector-specific (which could, for that sector include 'core' and 'additional'). The distinction between core and additional is based on different presumptions of materiality. There is insufficient guidance in G3 of the reasons why indicators were considered to be core or not. The 'Relevance' section in the framework could be expanded or a 'Materiality' section added to describe why a particular indicator was considered to be important to one or more stakeholder groups. For example, there exist national differences in law that could make human rights performance indicators less relevant to a reporting entity operating in one jurisdiction. If the reporter was informed that an indicator assumed global operation, it would be better placed to make materiality decisions with its stakeholders. The GRI offers a high number of indicators which makes it hard for corporations to determine the materiality or importance of their key issues and its relation to the indicators. The different levels of parameters and indicators allow corporations to handpick those that are important to them leading the issue of selective reporting (Moneva, Archel and Correa, 2006).

The G3 guidelines would benefit by including clearer guidance with regards to the inter-relationship between the different principles and how each principle applies to the reporting indicators. This would assist users to understand why the division has been made between principles primarily relating to content and primarily relating to quality (although many are relevant to both). Potential and probable conflicts between the different principles are not covered adequately. These guidelines have inherent limitations as a one size fits all approach doesn't bode well for different corporations. Some sectors and industries are unique, and the environmental and social performance can only be understood if a certain level of alignment to

the issues and problems present in that industry context is mapped out in the guidelines of the GRI.

Social performance from a TBL perspective

Social and environmental performance is unique to each corporation, or at least industry, and is difficult to quantify (Hubbard, 2009). There are two main claims about TBL and social performance that are central to the criticism of TBL: the measurement claim and the aggregation claim (Elkington, 1997). Elkington's Measurement Claim states that metrics of social performance and impact can be measured in relatively objective ways. The Aggregation Claim will be mentioned more in the next sub-section. Firstly, it's hard to quantitatively assess the goodness or bad of a problem, and secondly, when dealing with social impacts, both quantitative and qualitative distinctions need to be made (Norman and MacDonald, 2003). Elkington (1997) states that the three components, including the social area of the TBL approach can and need to be measured. Economic and environmental impacts tend to subject themselves well to a positivist approach. This means that the ability to quantify impacts with respect to these two components is possible. However, the social impact through TBL requires a more interpretivist approach or a more qualitative approach in measurement. While both the approaches are valid, they cannot aggregate into a single number, at least as far as the social dimension is concerned.

Based on past research, the amount of reporting done on social aspects of corporate responsibility is significantly lower than reporting done on environmental issues (Adams, 2002, Kolk, 2003). The bottom line of all these issues is that the social indicator of the TBL approach should not be condensed down to a single number, or in other words, should not become a decision algorithm. Unlike economics, where cost benefit analysis and other methods return dollar values in turn providing for simple decisions, the social indicator points to outcomes that are shared rather than accumulated (von Kutzschenback and Brown, 2006). Social impacts cannot always be precisely defined, or quantitatively valued. They impact on individuals and communities differently. Sustainability reports by corporations in the Dow Jones Sustainability

Index showcase this problem explicitly. All corporations across our selection of reports that we review in this study can do to embrace TBL in their reporting system is to indicate that certain areas will experience one type of impact, while other sections or areas will undergo a different issue or impact. They do not show that these impacts have occurred.

Aggregation through TBL

The second limitation found in the TBL approach is a lack of ability to aggregate the results across the three principles of TBL. This is a limitation because TBL promised in its aggregation claim to provide a social profit and loss number, whereby the claim states that the social metric can be quantified into a single number using various formulae, for any firm (Norman and MacDonald, 2003). However, in reality, aggregation leads to a simplistic and too subjective view of corporate performance. For the sake of this paper, we will only argue that TBL promised aggregation and failed to deliver.

Firstly, TBL offers no means of prioritizing among the requirements of different stakeholder groups. Secondly, it provides no method or formula in its framework that can aggregate across the TBL principles. There is no quantitative or qualitative synthesis that is aggregated or provided across the three legs of TBL (Robins, 2006). The TBL approach from a corporate reporting perspective has raised questions and confusion in terms of what is profit maximization. The TBL approach substitutes three bottom lines for a single bottom line of financial performance. The single objective of profit is replaced by three different objectives due to the TBL approach. These multiple objectives can cause corporations to pursue multiple objectives and thus become inefficient. For example, from a financial perspective, money can be arguably used as a common unit of measurement whereby expenses can be subtracted from revenues. However, no such common unit of measurement exists for the social indicator of the triple bottom line reporting system, thus making the aggregation principle that much harder to execute. A social bottom line can possibly be deciphered in a qualitative manner; however a calculation of this bottom line still remains a mystery. TBL has been a catalyst for confusion in

measurement through a lack of aggregation as it had promised; although aggregation is not the best approach for making sense of non-financial information.

Questions arising from Criticism #1

Question #1- How many DJSI reports evaluate company performance against social goals?

Does the report measure social impacts or merely social effort?

A corporation that makes charitable donations or provides voluntary hours from employees is partaking in the social enrichment of the community. However, the extent to which these activities are being measured as part of the company's sustainability performance is unclear due to the lack of social accounting principles that exist today. The survey aims to find social activities by corporations that are meaningful and have potential to be measured as part of a corporation's overall performance.

Question #2- How many DJSI reports have a way of aggregating results from the TBL measurement?

The survey intends to find out if corporations have a page that tells us whether the method of aggregation of the three bottom lines is giving the reader a proper understanding of how the company is performing. While integration is perhaps the stepping stone to answer this question, a meaningful analysis (quantitative or qualitative) is required to put all the data under the three principles into one easy-to-read page.

Criticism #2- TBL as a systemic approach

People and corporations need to develop the idea of thinking holistically and look for interrelationships among the Earth's natural and social systems. This was a development of systems theory (Capra, 1975, Capra, 1996). Systems theory is the understanding that a system comprises of interrelated parts and is greater than the sum of its parts. Over the past three decades the works of Capra and Sterling have put pressure on environmentalists to adopt a systemic approach when trying to understand and cope with environmental issues (Capra, 1975, Capra, 1996, Sterling, 2001, Sterling, 2005). A system consists of individual parts that can be

looked at individually; the whole cannot be entirely defined without recognizing the relationships among those parts. In essence, sustainability is dependent upon healthy systems. If any interactions between the parts are win-lose, one will, by definition, sub-optimize the whole. Natural Capitalism is a systemic theory that provides four core movements which constitute the foundation of the strategic elements for any corporation's sustainability journey (Hawken, Lovins and Hunter Lovins, 1999). According to Hawken et al, each must be pursued if the enterprise's (or industry's) aim is long-term harmony with natural systems (Hawken, Lovins and Lovins, 1999). A sustainable form of thinking is the best way to develop a systemic, effective and efficient solution. Systems thinking entails the ability for grasping more complex relations, interactions and situations which include, but go beyond, simple cause-and-effect relationships (Doppelt, 2003). In this way, systems' thinking also helps in building more accurate mental models for understanding complex phenomena.

TBL's lack of integration

The third limitation found in the TBL approach is the lack of integration. Firstly, the integration between the three dimensions of TBL will be hard as people are trained to be experts in each of the three dimensions and not across all of them, and this leads to the data collection within each area separately (Gibson, 2006). TBL mentioned the need for integration between the economic, environmental and social areas as this provides a better picture to the community in terms of impacts (Downes, McCoy, Rogers and Taylor, 2002). In practice, the TBL focuses on the co-existence of the three bottom lines but doesn't show their interdependence. The consequences include a tendency to ignore the profound interdependence of these factors, and to see them as likely to be conflicting rather than potentially complementary. The TBL approach is often accompanied by an assumption that sustainability is about balancing (Hacking and Guthrie, 2008), which contradicts both the key insights concerning the interdependence of factors and the need for mutually supporting advances on all fronts (Archel, Fernandez and Larrinaga, 2008). In addition, the TBL approach does not necessarily address the concerns that are usually expressed by citizens who are the intended beneficiaries of strategic and project level

undertakings (Ho and Taylor, 2007). These concerns rarely fit into the social, economic or ecological categories.

Question arising from Criticism #2

Question #3- How many DJSI reports provide information in ways that integrate the three dimensions of TBL?

As identified in the criticism of TBL, the integration of the three principles are absent in the literature. We want to measure the extent to which the lack of integration is present in the forty sustainability reports that are surveyed.

Criticism #3- TBL as a compliance mechanism

The third criticism/fourth limitation found in the TBL approach is the desire to be compliant and whether TBL, as an institutionalized norm, pushes corporations to be compliant or go beyond compliance. The concept of institutional isomorphism is a useful tool for understanding the politics and ceremony that pervade much modern corporate life (Carroll and Delacroix, 1982). Corporate structure, which was created from the rules of efficiency in the market, now arises from the institutional codes and constraints that are put in place by states and the professions. “The efforts to achieve rationality with uncertainty and constraint lead to homogeneity of structure” (institutional isomorphism) (DiMaggio and Powell, 1983). Isomorphism is simply a constraining process that coerces one actor within a population to mimic the other actors, as long as they face the same set of environmental forces or conditions (Hawley, 1968). According to DiMaggio & Powell (1983), there are three types of isomorphism: coercive, mimetic and normative. Coercive pressures come from other corporations in which they are dependent upon; mimetic is the process of imitation; and normative is simply following a framework or rule that is the benchmark or standard. While non-financial reporting and TBL for that matter is not related to certification that is required for the validation of a management system, TBL is a vehicle for allowing corporations to adopt a set of criteria that gets them recognition on sustainability indexes such as the DJSI. Corporations are to a certain extent, influenced by

coercive, normative and mimetic isomorphism when adopting TBL as their reporting framework. Government pressures, regulatory standards, stakeholder pressures (coercive) are examples of why and how TBL came into corporate reporting (Yew, 2000, Friedman, 1999). Corporations believe that following a TBL format would make them similar or compliant with formats that most other corporations use (mimetic & normative). They can be in competition with their peers and major multinationals in other industries doing TBL. TBL is a way of following the trend of other corporations in terms of non-financial reporting. Corporations need to acknowledge their negative impacts from the social space. As a majority of corporations are value driven, the corporations' culture needs to be built around those values. While TBL guides corporations to have a framework or rigor around reporting to make sure what areas need to be reported on in terms of achievements in each area and demonstrate compliance, that's about all it does. Moving beyond the three legged stool and reporting on more areas material to corporations is a move beyond compliance as the traditional TBL framework is simply not adequate. Corporations look at stakeholders and the business and see what issues is material to both parties and focus on them. In order to think beyond compliance, corporations need to think of how the definition of sustainability evolves, and also how as an organization, how the reporting evolves from TBL to a more holistic approach. Question #4 investigates how many corporations comply with the DJSI selection criteria (based on the TBL approach) and whether corporations have stuck to the three dimensions or have attempted to go beyond the TBL requirements and also beyond compliance, in a manner of speaking. In this question, coercive forces come in the form of the sustainability index through their selection criteria, mimetic forces comes from the similarities in TBL reporting among the corporations, and normative forces is displayed through the norm that is TBL reporting and whether corporations have moved on from this framework or not.

Certification and compliance (not particularly related to TBL)

Another question, not particularly related to TBL, but relevant for the analysis is the issue of certification. One way for corporations to tackle compliance is to adopt an approach that grows out of their business practices. Some corporations incorporate elements of internationally

recognized reporting frameworks such as the GRI and The International Corporation for Standardization (ISO). The ISO has different standards, one of which is ISO 14001:2004. This is an international standard on Environmental management systems; it provides requirements with guidance for use and does not provide requirements for specific performance. The intent of an ISO 14001 environmental management system (EMS) is to develop a systematic management approach to the environmental concerns of the organization. The expected outcome of this approach is continual improvement in environmental management. By setting an environmental policy, then making the environmental concerns of the firm clear (Aspects) and defining what will be done to control them (Objectives and Targets), planning is accomplished. Then, by establishing organizational structure, personnel responsibilities, competency and training, implementation begins. Communication practices, documentation control and procedural documents, operational control and emergency preparedness define the operation portion of the program. In spite of gaining worldwide prominence, corporations like British American Tobacco and Japan Tobacco are ISO 14001 certified. This raises a paradox as to the true intentions not only of the corporations that pursue ISO certification, but also of ISO's standards and how rigidly they are enforced. If corporations that are responsible for the deaths of millions of their clients can get international certifications, then the motive behind being compliant and sustainable comes into question. TBL does not provide a systemic view of thinking. While TBL may be the official benchmark for many corporations, as a measurement system, it is an ill-structured, poorly defined measure. The concept is rooted in politics and social change. It is an effort to appease a growing public concern that corporations, particularly business firms, are failing to live up to their claims to act ethically and as good corporate and environmentally responsible citizens. We want to investigate whether corporations tend to highlight their certifications prominently throughout their sustainability reports. This would in turn allow us to claim whether such prominence in certifications shows a culture in the organization that also embeds TBL reporting as part of its reputation enhancement mechanism.

Question arising from Criticism #3

Question #4- How many DJSI reports comply with the TBL/DJSI criteria?

In order to get included on the Dow Jones Sustainability Asia Pacific index, corporations have to comply with nine indicators (Table 3). However, the weightings of each indicator vary which gives corporations leeway as to the methodology they use to get included on the index. For example, higher weight is given to compliance with governance codes than environmental reporting or social reporting. Corporations can use this loophole to get included in the index despite not completely adhering to the three principles of the TBL framework. This will be investigated in the survey.

Question #5- How many corporations listed in the DJSI has product/environment certifications such as ISO, OHSAS?

Corporations that may lack in their environmental/social reporting can highlight the fact that they are certified by certain industry standards showing their desire to be compliant with requirements of the DJSI, which in turn gets them ranked. The survey intends to see how many corporations emphasize their certifications to see if there is a link between being compliant and being included.

3.5 Findings

The review of the forty corporations' CSR reports is shown below in Tables 1 & 2. The key questions were the basis of analysis, and they are shown in each column of the figures below. In order to answer the five questions and three criticisms of TBL developed in this paper, forty corporations' CSR/TBL reports were analyzed (content) to determine if they helped provide answer to limitations within TBL, from a practical sense.

Table 1: Review of sustainability reports (answers to questions from Criticism #1)

DJSI Asia Pacific- Top 40

Company	Country	Q1	Q2
		Social measurement	Aggregation of TBL results
Asahi Breweries	Japan	Yes	No
Australia & New Zealand Banking Group Ltd.	Australia	Yes	No
BHP Billiton Ltd.	Australia	Yes	No
Canon Inc.	Japan	Yes	No
CLP Holdings Ltd.	Hong Kong	No	No
Daiwa Securities Group Inc.	Japan	No	No
Denso Corp.	Japan	No	No
East Japan Railway Co.	Japan	No	No
FUJIFILM Holdings Corp.	Japan	Yes	No
Fujitsu Ltd.	Japan	Yes	No
Hitachi Ltd.	Japan	Yes	No
Japan Tobacco Inc.	Japan	No	No
Kao Corp.	Japan	No	No
Kirin Holdings Corp.	Japan	No	No
Komatsu Ltd.	Japan	Yes	No
Kyocera Corp.	Japan	No	No
Mitsubishi Estate Co. Ltd.	Japan	No	No
Mitsubishi Heavy Industries Ltd.	Japan	Yes	No
Mizuho Financial Group Inc.	Japan	No	No
National Australia Bank Ltd.	Australia	No	No
Nippon Steel Inc.	Japan	Yes	No
Nissan Motor Co. Ltd.	Japan	No	No
Nomura Holdings Inc.	Japan	No	No
NTT DoCoMo Inc.	Japan	No	No
Origin Energy Ltd.	Australia	Yes	No
Panasonic Corp.	Japan	Yes	No
POSCO	South Korea	Yes	No
Ricoh Co. Ltd.	Japan	Yes	No
Seven & I Holdings Co. Ltd.	Japan	Yes	No
Sony Corp.	Japan	Yes	No
Sumitomo Mitsui Financial Group Inc.	Japan	Yes	No
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	No	No
Telstra Corp. Ltd.	Australia	Yes	No
Tokio Marine Holdings Inc.	Japan	No	No
Tokyo Electric Power Co. Inc.	Japan	Yes	No
Toshiba Corp.	Japan	Yes	No
Toyota	Japan	No	No
Wesfarmers Ltd.	Australia	Yes	No
Westpac Banking Corp.	Australia	No	No
Woodside Petroleum Ltd.	Australia	No	No

Table 2: Review of sustainability reports (answers to questions from Criticism #2& #3)

DJSI Asia Pacific- Top 40

Company	Country	Q3 Integration	Q4 Compliance (9 measures)	Q5 Certifications
Asahi Breweries	Japan	No	Beyond Compliance (10)	ISO
Australia & New Zealand Banking Group Ltd.	Australia	No	Beyond Compliance (10)	None
BHP Billiton Ltd.	Australia	No	Beyond Compliance (12)	ISO
Canon Inc.	Japan	No	Beyond Compliance (11)	ISO
CLP Holdings Ltd.	Hong Kong	No	Compliance (9)	ISO
Daiwa Securities Group Inc.	Japan	No	Compliance (9)	None
Denso Corp.	Japan	No	Compliance (9)	ISO/IEC
East Japan Railway Co.	Japan	No	Compliance (9)	ISO
FUJIFILM Holdings Corp.	Japan	No	Beyond Compliance (11)	ISO
Fujitsu Ltd.	Japan	No	Beyond Compliance (10)	ISO
Hitachi Ltd.	Japan	No	Beyond compliance (10)	ISO
Japan Tobacco Inc.	Japan	No	Less compliant (6)	ISO; OHSAS
Kao Corp.	Japan	Environmental accounting	Compliance (9)	ISO
Kirin Holdings Corp.	Japan	No	Compliance (9)	ISO; HACCP
Komatsu Ltd.	Japan	Environmental accounting	Beyond Compliance (10)	ISO
Kyocera Corp.	Japan	No	Compliance (9)	ISO; OHSAS
Mitsubishi Estate Co. Ltd.	Japan	No	Compliance (9)	ISO
Mitsubishi Heavy Industries Ltd.	Japan	No	Beyond Compliance (11)	ISO
Mizuho Financial Group Inc.	Japan	No	Compliance (9)	ISO
National Australia Bank Ltd.	Australia	No	Compliance (9)	None
Nippon Steel Inc.	Japan	Environmental accounting	Compliance (9)	ISO
Nissan Motor Co. Ltd.	Japan	No	Compliance (9)	ISO
Nomura Holdings Inc.	Japan	No	Compliance (9)	ISO
NTT DoCoMo Inc.	Japan	Environmental accounting	Compliance (9)	ISO
Origin Energy Ltd.	Australia	No	Compliance (9)	None
Panasonic Corp.	Japan	No	Beyond Compliance (10)	ISO/IEC
POSCO	South Korea	No	Beyond Compliance (10)	ISO
Ricoh Co. Ltd.	Japan	Sust. Env. Mgmt. indicators	Compliance (9)	ISO
Seven & I Holdings Co. Ltd.	Japan	No	Compliance (9)	ISO
Sony Corp.	Japan	No	Beyond Compliance (10)	ISO
Sumitomo Mitsui Financial Group Inc.	Japan	No	Compliance (9)	ISO
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	No	Compliance (9)	ISO/OHSAS
Telstra Corp. Ltd.	Australia	No	Compliance (9)	None
Tokio Marine Holdings Inc.	Japan	No	Compliance (9)	ISO
Tokyo Electric Power Co. Inc.	Japan	No	Beyond Compliance (10)	ISO
Toshiba Corp.	Japan	No	Beyond Compliance (11)	ISO
Toyota	Japan	No	Compliance (9)	ISO
Wesfarmers Ltd.	Australia	No	Compliance (9)	ISO
Westpac Banking Corp.	Australia	No (Performance Scorecard)	Compliance (9)	None
Woodside Petroleum Ltd.	Australia	No	Less compliant (8)	None

Question #1- How many DJSI reports evaluate company performance against social goals?

Does the report measure social effort or social impacts? The purpose of this question lies in

the ability to properly measure a social investment, or a social undertaking by a corporation.

Making donations to charities or putting in voluntary hours can be measured but the return on

the social investment, or even the social return on investment is not something easily measured.

Out of the forty corporations surveyed, twenty-one have social goals that can properly be evaluated. Hitachi and Asahi Breweries have undertaken that can potentially lead to results in the future that are measureable.

Hitachi

In April 2008, the company established the Magokoro Fund which is a fund made up of monthly contributions of 100 yen deducted from the salaries of participating employees with matching funds from the company (Hitachi Group Sustainability Report, 2009). The money raised goes toward transportation safety, environmental protection, and social welfare programs. A “YES” has been given to its social measurement in Q1. However, future measurable results have not been factored into the reporting system. It is not possible to judge how the Magokoro fund improved safety beyond that which is achieved by potential government programs. The ability to monitor the deduction of funds and also monitor an outcome such as transportation safety could provide meaningful data to Hitachi on how effective their social investment has been.

Asahi Breweries

Asahi Breweries established the cross-corporate Moderate and Responsible Drinking Committee in 2004 (Asahi Breweries Corporate Social Responsibility Report, 2009). The Committee established the Asahi Breweries Group’s Basic Philosophy for Promotion of Moderate and Responsible Drinking and Drinking Rules. The Basic Philosophy and rules on moderate drinking are required subjects in training programs for newly hired employees at each Group company. The committee undertakes a broad range of activities, such as ensuring full compliance with voluntary rules on advertisements and promotions and managing the Fund for the Prevention of Underage Drinking. Once again, a “YES” has been given to its social measurement in Q1. However, future measurable results have not been factored into the reporting system. The social measurement that can be introduced is to monitor the number of underage drinking violations, and other accidents related to alcohol, both before and after the implementation of the Committee. To date, they have not taken this step. The aim of this question is to identify social goals/activities that corporations undertake which has a meaningful end result in terms of measurement towards the corporations’ overall performance.

Question #2- How many DJSI reports have a way of aggregating results from the TBL

measurement? While the first question dealt with the social measurement of the TBL, the question here is whether the reports have an aggregated discussion at the end that summarizes the overall performance/sustainability based on the tracking of the social, economic, and environmental performance from the report. In addition, aggregation also looks to draw the three bottom line of the TBL into a single, aggregated bottom line. This is one of the promises of TBL. The corporations analyzed in this paper have no aggregated results, and bringing the financial and non-financial information into an integrated and aggregated manner seems like an impossible task for them. It's evident that the forty corporations do not see the need to provide summaries that bring different parts of information to provide a coherent picture, as they are all uniform in their approach in terms of providing a discussion of the TBL results in their sustainability reports without a guide for future performance or initiatives.

Question #3- How many DJSI reports provide information on integration between the three

dimensions of TBL? While aggregation is seen as a major limitation of TBL, integration and interdependence among the three bottom lines is missing from TBL's principles, in practice. While corporations have improved their skills in environmental accounting (and social accounting to a lesser extent), the impact of the environmental and social dimension on the economic dimension, and vice versa, is something corporations are grappling with. As seen in Table 2, six out of the forty corporations attempted to provide a link between the TBL principles in the form of environmental accounting (Komatsu Ltd., Nippon Steel Ltd.), a performance scorecard (Westpac), or providing sustainable environment management indicators (Ricoh Ltd.). For example, Ricoh uses a formula dividing the gross profit by the total social cost to provide a ratio of profit to social cost. This is the closest that any of the forty corporations came to attempting to create a link from social to economic realizations. As a ratio, it provides balance but not interrelationships. It does not show how minimizing social cost increases profits or vice versa. Komatsu, Kao and NTT DoCoMo conduct environmental accounting where they factor in social and environmental costs and benefits into their economic performance.

However, the social cost comes only from tree planting, ignoring other social activities. The corporations' aim from environmental accounting is to analyze environmental conservation cost to the environmental conservation benefits. The benefits are measured in quantities, such as tonnes, CO₂e. There is no integration among the three categories. Westpac uses a performance scorecard which grades the corporation's performance relative to the three categories. In addition, it rates its customers and suppliers. However, each category is given a separate performance evaluation, and there is once again no real integration or interrelation between them. The remainder of the corporations provided individual sections dedicated to economic, environmental and social performance in their CSR report. Based on the answers to the first three questions, one has to think whether corporations adopted TBL as a compliance mechanism and to boost their own credibility and licence to operate.

Question #4- How many DJSI reports complied with the DJSI criteria? The DJSI has nine dimensions that it uses to rate corporations. This list is found in Table 3.

Table 3: Dimension criteria weighting of the DJSI

Dimension Criteria	Weighting (%)
<i>Economic</i>	
Codes of Conduct / Compliance	6
Corporate Governance	6
Risk & Crisis Management	6
<i>Environment</i>	
Environmental Reporting	3
<i>Social</i>	
Corporate Citizenship/ Philanthropy	3
Labor Practice Indicators	5
Human Capital Development	5.5
Social Reporting	3
Talent Attraction & Retention	5.5

As we can see from Table 3, DJSI gives heavy importance to the economic dimensions of TBL, and not economic outcomes. Environmental reporting has the least favorable weighting, while human capital development and talent attraction are given the highest weighting in the social dimension. Based on the survey results, fourteen corporations went beyond compliance with the DJSI criteria; four corporations did not meet the nine dimensions, while twenty two

corporations were compliant with the nine dimensions. To get a sense of the review, we present an analysis of the company that had the highest level of compliance (BHP Billiton), with the company that had the lowest level of compliance (Japan Tobacco Inc.). BHP Billiton, which calls its sustainability report as “Resourcing the Future”, is information rich. The company has not only complied with the nine dimensions of the DJSI, but also gone beyond and attempted to establish its own metrics in the area of health, safety, and also on environmental fines as a proxy for misbehavior. For example, in 2007, in Navajo, USA, BHP failed to protect topsoil from erosion after seeding and planting, which cost them a fine. Every fine imposed on BHP is mentioned in their sustainability report. The company’s desire to be as transparent as possible in all areas of its sustainability pursuits gives them an edge on the ecological dimension. Other corporations like Canon, Mitsubishi, and Toshiba also move beyond compliance. For example, Canon has instilled as their corporate philosophy “Kyosei” which means harmony between mankind and earth. One of the key areas that they include in their sustainability report is recycling. The corporation conducts heavy analysis on its products and its life cycle and how resources can be saved as well as improved. Tepco is one of the few corporations that have included nonconformity disclosure criteria in its sustainability report. There is a paradox when corporations that are highly transparent about their legal breaches and fines lose investors turned off by their social and legal irresponsibility. This is a possible reason why firms are reluctant to disclose such breaches.

Japan Tobacco Inc. is the least compliant corporation against DJSI criteria. The company emphasizes obtaining the ISO 14001 throughout their report which seems to be a major achievement for them. However, they meet only six of the dimensions of the DJSI criteria. Japan Tobacco gets into the DJSI by focusing heavily on the economic performance, and getting certifications from recognized industry standards. However, Japan Tobacco provides no information on how it is making a difference in the community, and fails to comply in social impacts/goals area. The discussion of their employees in terms of human capital development, talent attraction etc. is absent. This creates a cause for concern as to how robust is the ISO standard, and also how rigorously the DJSI applies its own standards. The corporations’

behaviors towards compliance can fit into a template of the Dunphy model. Corporations use the template/benchmark of the DJSI to get selected, but there is little evidence to show that they push themselves to go further in ways that could see them evolve toward the Dunphy ideal of the sustaining corporation.

Question #5- How many corporations listed in the DJSI has product/environment

certifications such as ISO, OHSAS? While this question doesn't pertain to TBL explicitly, the analysis wanted to go beyond TBL and see if the sample of corporations had certifications, like ISO 14001 and OHSAS 18001. Achieving these standards puts the corporations one step ahead of rivals who are not even thinking of getting such accreditations, thus demonstrating best practice. While TBL may not be working, seeing corporations take the initiative and apply to standards like ISO 14001 shows the desire to go beyond compliance. Seven out of the forty corporations in the DJSI Asia Pacific rankings do not state any sort of certification that their product/service or corporation has obtained. A more interesting finding here is the lack of certification among Australia corporations in the index. Out of the nine Australia corporations listed in the DJSI Asia-Pacific Top forty index, only three have ISO certifications. In the previous questions, the corporation that seems to be lagging behind others is Japan Tobacco Inc. However, in this category, the corporation flourishes its ISO and OHSAS accreditations eight times in the report while other corporations average about four times. Our assumption is that the company is trying to make up for a lack of effort in other areas by emphasizing the fact that their operating systems and employees' well-being are meeting industry standards.

3.6 Discussion

The importance of the dimension criteria

The primary purpose of this research was to examine sustainability reports of corporations and how much did they correspond to the criticism of the TBL approach made in the literature review. The TBL as an approach has multiple flaws and it is necessary for corporations that want to become more sustainable to identify these flaws and eliminate them in the course of creating their sustainability report. The first discussion point is the importance of the dimension

criteria weighting of the DJSI (Table 3). Under Economic indicators, governance, risk management, and codes of conduct are the three important constituents. However, Origin Energy and NTT DoCoMo Ltd. excluded this information from their CSR report. Their inclusion is primarily based on DJSI attaching the industry average to their economic performance. The basis on which DJSI chose to include the two corporations into their Top-40 Index is mysterious because the corporations fail to report on thirty percent of the grading scale.

Lack of interdependence of the main TBL indicators

Another important lesson from the above analysis is the lack of interdependence of the three main indicators of TBL in any of the reports. Corporations use indicators such as dollars and Co2e values in their economic, environmental, and social inputs. However there is no discussion of relations between the three, and the reader gets lost at the end of each report, not knowing how to decipher the data systematically. Komatsu and Nippon use environmental accounting to cover up the lack of integration among the TBL principles. However, the TBL approach works as a band aid to environmental accounting. While environmental accounting measures environmental performance (excluding economic and social), TBL claims to measure all three. However, the sustainability reports say otherwise. All corporations ranging from Asahi Breweries to Woodside Petroleum report dollar values to their economic performance and carbon dioxide equivalent emissions (CO2e) to their environmental performance. In terms of their social performance, units of measurement range from the percentage of women in the workforce to the turnover rate of employees. These are HR statistics isolated from their social impacts. For example, economic empowerment or income equality between men and women is a more outcome focused statistic that is useful for measuring social impacts arising from being a good employer. From an accounting perspective, the ability to neatly analyze the end result of all these reporting values is incoherent. This leads to the next criticism of effective integration which is absent in all forty reports. Random sub categories under the social performance do not provide a meaningful result of how the company is impacting the community. Corporations like POSCO and Ricoh measure community involvement and voluntary days under their social performance. However, how does spending \$100,000 in the community affect the corporation

from a sustainability perspective? While creating a social measurement is not impossible, the best method of determining how to measure this needs to evolve.

Lack of objectivity and reliability in TBL measurement

Next is the criticism of measurement. What are the boundaries for corporations in terms of what they choose to measure? In addition, can the data be measured in reliable and objective manner, especially around the social dimension? At the moment this is difficult and TBL certainly doesn't add any value to this problem. Fujifilm and Fujitsu factor their suppliers into the sustainability audit, while corporations like BHP Billiton and Woodside Petroleum briefly measure a policy of procurement from sustainable suppliers but provide no detail. Procurement is an essential part of a corporation's activities, and sourcing products and services from environmentally friendly suppliers is a move in the right direction. Among the financial institutions that were analyzed, Westpac was the only bank that dedicated a column to its suppliers and showed the sustainability performance of each of its suppliers. National Australia Bank (NAB) and BHP have such a procurement policy but do not report on performance of suppliers. While each company needs to measure indicators that directly apply to it, corporations like NAB do not mention anything about its suppliers. NAB does have a rigorous policy with their suppliers but fail to deliver the data on their procurement policies in their CSR report. This leads to another issue of how the DJSI can include the two corporations in the same category of being sustainable.

Lack of systems thinking in TBL

The reason behind a majority of these problems is the lack of systems thinking in the TBL reporting system. Systems thinking is not evident anywhere in the selection. Every single company measures each of the TBL indicators separately, but fails to tie them together at the end and makes no comment on intermediate cause-effect relations at levels above the bottom line. This leads to the other point of criticism which is a lack of a common unit of account for each of the three categories which was part of the promise in the original conception of TBL (Elkington, 1994, Elkington, 2004). Finally, the sum total of the data analysis leads to the

conclusion that TBL as an institutional lever for sustainability performance needs to be improved. The next step is to improve TBL to accurately define and demonstrate its value as a measurement tool, and also as a means for corporations to produce meaningful sustainability reports that shows the reader a clear picture of their sustainable performance.

The lack of systems focus in TBL approach is perhaps the fundamental flaw that negates the basic premise of the approach. If reporting frameworks of this kind are to gain a practical credibility, they must be seen to effectively enhance the planning process. Recognition that TBL reporting does not end with data collection and analysis but extends into the planning process arises from the straightforward observation that planning sustainable development is a process, not a singular event. It is a process not just because it happens over time, but rather because it involves a range of interests and a range of possible interpretations of those interests. This process is open to research that in turn offers the prospect of facilitating the integration of social, environmental and economic reporting. The need for research in this area has not been raised in other articles. Such research should be undertaken, because without it, the outcomes may be remote from anything that could be described as a collective interest. The three pillars approach is often accompanied by an assumption that sustainability is about balancing, which contradicts both the key insights concerning the interdependence of factors and the need for mutually supporting advances on all fronts (Jackson, 2003). It also encourages an emphasis on making trade-offs, which may often be necessary but which should always be the last resort, not the assumed task, in sustainability assessment. While many different approaches to, and tools for, integration are available, no one method or process component is likely to be sufficient. To communicate the need for a more holistic depiction of performance, we should rename TBL as IBL or integrated bottom lines.

The Phase Model

Dunphy et al. (2003) have created an evolutionary path which they represent as a Phase model. Figure 6 illustrates the Dunphy framework:

Figure 6: The Phase Model (Dunphy et al., 2003)

The Phase Model

Rejection
Non-responsiveness
Compliance
Efficiency
Strategic Proactivity
The sustaining corporation

Dunphy et al's work shows a pathway to a more sustaining approach. From Figure 6, Compliance is the stage most corporations that are included in the DJSI follow. The stage of strategic proactivity is where systems thinking become salient. If a corporation looks at each of the stages in Figure 6 separately, then the integration necessary to create a sustaining corporation is absent. However, if the corporation takes a systemic view, then the stage of sustaining corporation is attainable. Ultimately, the goal of every corporation should move into this stage. The goal of becoming a sustaining corporation requires an awareness of the system. Moving beyond compliance, developing new technologies, formulating company values and mission statements based on its sustainable goals are the characteristics of a sustaining corporation. The model in Figure 6 provides a way of thinking that can help people determine whether reports are being produced to provide mere compliance or whether they are being used to develop/evolve corporations to higher levels of sustainability. The number of indicators in corporate performance is growing showing a need for diversity and plurality (Schoenberger-Orgad and McKie, 2005).

3.7 Conclusion

TBL and other reporting systems that currently exist provide a pathway for corporations to easily ignore or bypass key sustainability issues for couple of reasons. Firstly, corporations that wish to put on a facade of compliance and showcase themselves as embracing the sustainability movement can use any one of the current reporting systems to mask themselves from the external pressure to be more sustainable (Etzion and Ferraro, 2009). Due to the absence of mandatory standards, corporations handpick those metrics that they can easily measure and disclose information on these metrics while ignoring those that cannot be measured or those that

could possibly show a darker side of the corporation in terms of their sustainability initiatives. Secondly, and more directly towards the TBL reporting system, a lack of integration exists among the TBL principles as each principle is independent from the other in terms of its measurement. The pressure on corporations to show links or inter-relationships between these three principles and how one can affect the other is absent (Hubbard, 2009). Corporations show separate data on each of the three principles and assume that they are doing a favour to the external environment, when the data is hard to understand as there is no systems thinking here.

The three major criticisms of the TBL approach are in its measurement approach, its lack of integration across the three dimensions and its function as a compliance mechanism. Five questions that arose from these three criticisms and the forty corporations' sustainability reports were analyzed to determine how corporations were putting TBL into action in terms of their reporting. The evidence from the reports show a lack of integration, a focus on compliance, a hazy social measurement and its impacts, and finally, a lack of aggregation of the TBL results. The revelations from this study show how TBL as an institutional theory has shaped the thinking of the corporations in our selection to be compliant. These corporations display characteristics in line with the selecting criteria of the DJSI index since they are part of this ethical index. The forty listed corporations in our selection choose to be compliant as a means to achieve powerful accreditations. In order to carry this out, they use the TBL approach to strengthen their case for a more publicly accepted method of exuding compliance and satisfactory behavior in a sustainable manner. However, the findings from this paper show that a need to go beyond compliance is of the utmost importance. The other important revelation is the problem of measurement and aggregation of results. None of the forty reports show any major research or innovation in providing a system of accurately measuring their TBL numbers, especially their social impacts. Future research needs to focus on this area especially if the aim of the research is to improve the TBL approach and find a way of making the TBL output understandable to the readers.

TBL will be around for some time to come. It is a convenient tool for competitive business operating in an environment characterised by progressive learning. The benefit to be gained from TBL approach is not so much in the reporting, but in the understanding of the meaning of what is being reported. The argument is that integration of social, economic and ecological considerations are the essence of the concept of sustainability and must be a central consideration in the design and implementation of sustainability-based assessment. It would be fair to rename TBL as IBL or integrated bottom lines, as other issues like culture, corporate governance, are bottom lines that should be factored into the calculation, if the social indicator is given such importance. Coverage of social impact among various measurement systems is inadequate, and the concept of TBL does nothing to enhance the measurement of social bottom lines. The TBL approach fits poorly with the concerns commonly expressed by citizens who are the intended beneficiaries of strategic and project level undertakings.

Areas for future research

A potential avenue for further research would be investigate TBL based on each criticism, with corporations through interviews to understand their views on the TBL framework, and whether they agree or disagree with the findings in this paper. Another avenue for further research is to deconstruct TBL purely from an institutional theory or systems theory point of view. Finally, the meaning behind TBL, and whether it represents a metaphor or accounting metric in the sustainability language can be explored.

CHAPTER 4 METHODOLOGY

4.1 Introduction

This chapter details the methodological approach in the research, including how the data was developed and analyzed. The purpose in undertaking this approach was to investigate with the participants of the analysis whether TBL reporting had improved the corporate reporting processes at corporations or served as nothing more than a metaphor or a reputation enhancer. Qualitative data was analyzed through the academic lens of institutional theory, stakeholder theory, legitimacy theory and reputation.

4.2 Qualitative research

The reason for interviewing a number of corporations, rather than restricting to one corporation for the research is that it can provide a useful means of investigating a “contemporary phenomenon” (Yin 1994, p.13). The increased interest in TBL reporting is a contemporary phenomenon, and the purpose is to assess its limitations for corporations to progress with their non-financial reporting processes. Contemporary researchers within the social sciences area have absorbed the importance of including qualitative data. This approach is usually a part of a mixed methods approach where research results and conclusions are based on quantitative and qualitative data. However, the emphasis in this research is based on interpreting the data from the literature and from the interviews with corporations that are qualitative by nature, in that they show evidence on social phenomena that cannot be easily quantified. The methodological goal is to reconstruct the true picture of TBL by “revealing the inherent assumptions of the interviewees at the corporations” (Eyles, 1988). The data in this research is based on semi-structured interviews. The rationale for using qualitative research is built on the notion that interviews conducted with sustainability managers who have followed TBL at one point in time would provide more robust data than looking at numbers or doing statistical analysis. The content in the reports and interviews provide a practical sense of where TBL is at in terms of shaping corporate behavior and the interview data is much richer in a qualitative sense than a quantitative sense.

The importance of interview data

Every corporation is unique, even if it answers similar questions, as each researcher involved attempts to absorb the “unique individual, corporate, social and political” aspects of their own case study context (Yin, 1994, p.2). Based on this notion, interviews with corporations was the best method as the unique contextual conditions become part of the data and analysis that inform the conclusions. Yin (1994) names this process as analytical generalization”, as opposed to a more positivist approach of “statistical generalization.” Using interviews is different from a positivist approach where the emphasis is usually on making sure an adequate selection size is there to ensure that the results might have a larger application through “statistical generalization” (Yin, 1994, p.36). The data collected from interviews are a great source of primary data, especially when the topic of discussion is a big part of the practical application in corporations. However, there is the limitation of impression management and retrospective sense-making which can bias the data from interviews (Eisenhardt & Graebner, 2007). One method used to limit the potential of bias is to collect data from various interviewees who are experts in the topic and who have also implemented the framework at one point in time. The interviewees in this research are sustainability heads of forty corporations and have a deep understanding of TBL, both theoretically as well as practically. This leads to a well-rounded discussion and findings from individuals who view the phenomenon from in-depth perspectives.

Interviews with forty corporations have been used to provide the data for the thesis, as it provides a stronger base for theory development (Yin, 1994; Eisenhardt & Graebner, 2007). Propositions have been developed in Chapter 6 and 7 to demonstrate the robustness of the data from multiple cases; the propositions are also better positioned through the findings. A potential limitation with multiple cases is the complexity of the sampling. The cases/corporations chosen in this research are based less on their uniqueness and more on their contribution to potentially replicating data/validity of the arguments made against TBL. The selection of corporations in the research pave the path for” analytical generalization” where the broader application is developed through the shared use of theory and other methods to compare and differentiate

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experiences of the phenomenon being researched. Academic researchers who have an interest in TBL reporting will find the results of the analysis through interviews in this research to be useful in informing their own analyses. Unlike quantitative data, qualitative data is not numerical, but is expressed through words, events or pictures in a symbolic or sociological manner. The framework by Miles & Huberman (1994) describing three phases of data analysis is the broad framework applied for this thesis' data analysis process.

Data Reduction

Having conducted forty interviews, the amount of data was quite vast and a certain level of reduction was required for analysis. Miles and Huberman (1994) describe this first of their three elements of qualitative data analysis as data reduction. "Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions" (Frechtling & Sharp 1997, p. 3). The data had to be reduced to enable a clearer level of interpretation and sense making of the data from the interviews.

Frechtling & Sharp (1997) also mention the importance of selectivity in this stage. While all the data given in the interviews and reports are important, certain issues stand out more than the rest and these have to be singled out during coding. During the literature review and the study of TBL reports, some interview questions were developed; however after the interviews and during the coding stage, new areas for research opened up and the selection process enabled this broad minded approach. Since this is a cross case analysis over forty corporations, the importance of filtering out data that are not salient to the research questions became more important and more difficult. In this research, having a view on the actual utility of TBL could lead to problems in bias during the interview phase; assumptions cannot be made on the interviewee's notion and understanding of TBL until the data has been gathered and analyzed. The selection in this research consists of large corporations/corporations which are a complex group that are distinctive in the way they function and view areas like non-financial reporting. An investigation was carried out firstly on the corporation's TBL reports, on their reporting processes and their management functions in general, before conducting interviews with them

and understanding their views on TBL. This is a reason that semi-structured interviewing was used.

Data reduction for the analysis started with the question “What does TBL mean for your business, and why do you think it’s important?” In this cross case analysis across forty corporations, the opening question paved the path instantly to understand the perceptions of corporations towards TBL and understand its function in the corporation. For data reduction purposes, the most important data bits from this question relied on whether a “yes” or “no” was given to their acceptance of TBL, and whether it was “strength” or a “weakness” for them. Further interview questions were interpreted and analyzed in similar fashions in this stage of analysis. A limitation during this stage is the tendency to look for responses that sound similar (Frechtling & Sharp, 1997). However, the intention was to initially understand their stance on TBL, and then initiate questions as to their reasoning behind it. While answers tended to be similar overall, the reasoning did differ and this led to interesting discoveries of new theories and areas for research using the data. The frequency and the level of determined narration by the interviewees on this non-financial reporting framework was a major point of analysis.

Data Display

The second stage in the model by Miles and Huberman (1994) is called Data Display. Data display goes a step beyond data reduction to provide "an organized, compressed assembly of information that permits conclusion drawing" (Frechtling & Sharp 1997, p.4). Excel sheets and NVIVO codes were developed to display the data analysis and findings across many dimensions of TBL in order to identify and develop patterns and relationships across the interview data. This helped to uncover many findings that were initially missed in the data reduction stage. More information on these findings is presented in Chapter 5, 6 and 7.

Conclusion Drawing and Verification

The final stage in the model by Miles and Huberman is called conclusion drawing and verification. "The meanings emerging from the data have to be tested for their plausibility,

sturdiness, and validity" (Miles and Huberman, 1994, p. 11). Validity in quantitative research confirms the accuracy of the data and whether it objectively measures what it set out to do. In qualitative research validity looks at the conclusions drawn from the data, and whether the conclusions drawn are steadfast, plausible and credible.

Content analysis

In this research a considerable amount of content analysis has been done for investigating TBL reports as well as analyzing the interview transcripts. The content analysis has been done qualitatively using NVIVO software for the coding process. Firstly, the content from TBL reports and interviews were categorized into major academic themes, described in Chapter 5. Then a coding scheme was constructed using NVIVO software, which is also demonstrated in the publications. This coding process aided in conducting manifest coding (<http://faculty.ncwc.edu/toconnor/308/308lect09.htm>) whereby an objective process was used to count how many times a particular TBL theme occurs within the coding process. The next stage is latent coding to clarify issues that seemed to be implicit and unclear from the academic literature and TBL reports where a certain level of knowledge is required on TBL and corporations' views on TBL. This was accomplished through the interviews.

4.3 Research processes

How the corporations were selected

The first step in the selection process was to look at various ethical indexes like the Dow Jones Sustainability Index, the Forbes Global 100, FTSE4Good, and the Carbon Disclosure Project. The aim was to select corporations globally, and these indexes included corporations based on their TBL performance which was in tune with the selection criteria as well. The criteria for judging the corporations selection as serious are:

- Inclusion on sustainability indexes, such as the Dow Jones Sustainability Index (DJSI), FTSE4Good Index, Forbes Global 100, and Carbon Disclosure Project (CDP).

- TBL reports which suggest a serious effort on the part of the corporation at reporting their financial and non-financial information and potential impacts.

Once the list of corporations was selected, the next step was to see if they had conducted TBL reporting at any point in time in their recent past. Once that was established, the list was narrowed to forty corporations based in Australia, Europe and U.S.A that were included on major ethical indexes as well as had a history with TBL reporting. The rationale for choosing the forty corporations is based on the following reasons:

- Invitations were sent out to over a hundred corporations. Forty agreed to participate
- The forty were selected from an ethical index (DJSI) that is prominent for rating corporations based on their TBL information
- The geographic locations were extended to Europe and USA to get a better sense in terms of whether TBL was interpreted in a similar manner globally.

Interview data creation methods

The main component to data creation involved preparing, conducting, and transcribing semi-structured interviews with the sustainability managers of the forty corporations. The forty interviews were conducted between January and December 2010. The set of forty interviewees included the heads of sustainability, or a key staff member in the corporation's division for CSR or Corporate Citizenship. "Interviews are a powerful method of creating data that focus on the theoretical and experiential aspects of the phenomenon being studied, providing insights that are not easily obtained through other methods" (Yin, 1994, p. 80). The interviews conducted were in-depth in that interviewees were encouraged to talk at length, sometimes prompted by follow up questions for further explanation, clarification, or elaboration (Rossman & Rallis, 2003, p.185).

Purpose of interviews and design of questions

The semi-structured interviews allowed me to listen to the staff members involved in the TBL reporting process. The research has relied to a certain extent on lengthy quotes from the interviewees to present some of the results as this increased the space for their voice to be heard in the analysis. The interview questions were developed based on the findings from the literature review and on the key criticisms of TBL. Through the lens of institutional theory, systems thinking, reputation and legitimation, the questions were framed to reflect TBL through each of the aforementioned theories and concepts. The interview questions were partially prepared on the assumption that the interview data generated would be most useful in addressing questions related to TBL and its interpretation through institutional theory, systems thinking, and reputation and legitimation. To a lesser extent the belief was there that interviewees might also give information that would help understand what corporations expected in terms of the evolution of non-financial reporting and how it can lead to a greater outcome for the corporation as well as the external environment.

An interview guide was developed that was adjusted for use between the survey of literature and the actual interviews. The questions were written as initial prompt questions to make sure that every topic within TBL was covered with the interviewees. If the interview was lacking in detail or analytical power, further questions were posed to them to seek additional information. Figure 7 below provides a final list of the interview questions asked.

Figure 7: List of Interview questions

- 1) What does the triple bottom line mean for your business, and why is it important?
 - 2) Do you see it as a metaphor or a new accounting metric?
 - 3) Does TBL guide you to be compliant and did you have think beyond TBL to go beyond compliance?
 - 4) What are the core characteristics of a TBL report in your corporation?
 - 5) What were the main benefits of TBL reporting: tangible vs. intangible?
 - 6) How important is it to be ranked on sustainability indexes?
 - 7) Have you experienced problems implementing TBL reporting?
 - 8) Are there any integrating methods that your company has that make the TBL data more readable?
 - 9) Do you choose indicators to measure key concerns of stakeholders, or do you choose indicators that are important for key strategic business decisions?
 - 10) To what extent does the corporation focus on the social dimension of the TBL?
 - 11) Do you have a social net profit or loss; would you like to have one?
 - 12) What stage are you in the reporting system:
 - a) *stand back and wait approach*
 - b) *transparent and accountable*
 - c) *alignment with stakeholder expectations and corporate strategy*
 - d) *build system based on stakeholder expectations*
 - e) *a fully integrated approach*
 - 13) How would you define a fully integrated approach?
 - 14) Which factor drives your desire to become socially responsible and embrace sustainable development and TBL reporting: prosperity of the corporation, or greater responsibility which drives prosperity?
 - 15) How important has leadership been for driving sustainability reporting?
 - 16) Is there anything that you don't prefer to report on but are motivated to report?
 - 17) How would you like to see reporting evolve at your corporation?
-

The interviews were conducted with forty staff members who had been involved in the TBL reporting process. Under question 12, stages 'a' to 'e' were explained to the interviewees during the interview. The questions focused on explicitly showing their reflections on how TBL was interpreted within the corporation. The interviews also gave the interviewees an opportunity to have a reflective discussion on what they had and hadn't achieved through their TBL reporting processes and efforts. This made the interview an interesting experience for the interviewees, which was certainly an important research outcome in the interests of "reciprocity" arising out of the research experience (Rossman & Rallis, 2003, pp. 159).

Ethical considerations

A fully informed consent was required from the individuals that were interviewed. All interviewees were provided with an information and consent form (see Appendix 6) to explain the purpose of the interviews prior to the interview and then gave their formal consent to be interviewed following a process approved by the Macquarie University Ethics Review

Committee. The interviews were an opportunity whereby the interviewees and the corporations could benefit from their interactions with the interviewer, and not just purely aimed at benefiting this thesis. The interviewees were assured that their and the corporations' names would be treated as confidential. To make sure that their quotes used in the research cannot be directly attributed back to them, codes have been used for each corporation, to prevent identification. This has enabled the usage of quotes within the analysis without explicitly mentioning the interviewees' or corporations' names in any publications derived from this analysis.

Selection of interviewees

Similar to many research projects revolving around creating qualitative data, the sampling procedure was 'purposeful' rather than 'representative' (Maxwell, 2005, p.88; Patton, 2002, p.230). Corporations and key staff members to be interviewed were selected through a strict selection process of surveying various global ethical indexes and selecting corporations considered to be leaders in the area of non-financial reporting. The purpose was to select corporations who were leaders in sustainability, and who had made investments in reporting, especially around TBL. The interviewees themselves had to have been involved in the TBL reporting process at the corporation. All the interviewees comprised of individuals in the sustainability division within the corporation. Table 4 below provides a detailed list of the sectors within which the corporations operate in, and also the job title of the interviewees.

Table 4: Corporations and interviewees description

ORGANIZATIONS	INDUSTRY	JOB TITLE OF INTERVIEWEES
A1	Auto Manufacturers	Director, Corporate & Governmental Affairs
A2	Auto Manufacturers	Director, Sustainability & Environmental Policy
A3	Auto Manufacturers	Manager, Environmental Policy
B1	Beverages	Sustainability Manager
B2	Beverages	Sustainability leader
C1	Building and construction materials	General Manager, Corporate Affairs and Investor Relations
C2	Commercial and Professional Services	General Manager, Environment and Climate Change Solutions
C3	Commercial Services & Supplies	Group Manager, Environment
C4	Consulting	Director, Corporate Citizenship□
E1	Energy	Manager - Investor Relations & External Affairs□
F1	Financials	Manager, Corporate Responsibility & Sustainability
F2	Financials	Manager Corporate Responsibility Reporting □
F3	Financials	Senior Advisor, Sustainability
H1	Healthcare	Corporate Responsibility Associate
H2	Healthcare	VP, Corporate Responsibility
I1	Industrials	Director, Corporate Citizenship□
I2	Information Technology	Manager, Corporate Affairs
I3	Information Technology	Environmental Manager
I4	Information Technology	Regional Director
I5	Insurance	General Manager Corporate Affairs
I6	Insurance	Manager, Business Sustainability
I7	Investment Banking	Director, Sustainability Affairs
M1	Materials	Sustainability Analyst
M2	Materials	Sustainability Energy Officer
M3	Materials	Sustainability Manager
M4	Materials	Global Director, Sustainability
M5	Media	Director, Sustainability
P1	Print Services	Manager Environment And Sustainability□
R1	Real Estate	Sustainability Manager□
R2	Real Estate	Sustainability Manager
R3	Real Estate	Coordinator, Corporate Responsibility and Sustainability□
R4	Retail	Sustainability Manager□
T1	Telecommunications	Group Manager Environment □
T2	Tourism	Head of Sustainability
T3	Transport & Logistics	Senior Communications Advisor
T4	Transport & Logistics	General Manager, CR & Quality
T5	Transportation	National Manager Environmental Sustainability Planning
T6	Transportation	Manager, Risk & Sustainability Reporting
T7	Transportation infrastructure	Strategy & Marketing Manager
U1	Utilities	Manager, Reporting

Methods used to analyze interview data

The practical activity undertaken to analyze the data involved a process of thematic and content analysis as well as categorizing the data (Rossman & Rallis, 2003, p. 282). This is the process of compiling extracts from across all the interviews that relate to a particular theme or to sort it into a particular category. From a methodological perspective, what is of concern here is the purpose behind the themes that were developed. According to Rossman & Rallis (2003) themes can be developed inductively and deductively (p. 283). Themes can be deduced from the questions and propositions that emanate from applying my theoretical framework to the context of the corporations in this research. Themes can also be induced from the interview data as the

researcher becomes immersed in the stories, perspectives and language of the interviewees” (Creswell, 1997, p.270). Using inductive and deductive approaches allowed the capture of the conceptualizations of events and issues around TBL into themes (Minichiello, Aroni, Timewell & Alexander, 1995, p.252). For example, to test the theoretical proposition that TBL reporting was adopted by corporations to have greater prosperity rather than a sense of social responsibility, the interviewees responded with a certain level of ambivalence. Due to this response, a specific code “TBL reporting leads to prosperity, not to increase the sense of social responsibility” was created to investigate discussion on this relationship. The language within this code combines an inductive approach to capture the language of my interviewees (i.e. “TBL reporting leads to prosperity”) with deductive reasoning that the interviewees do not view TBL reporting as a vehicle for adopting non-financial reporting beyond focusing on the bottom line (i.e. a foundation for “greater social responsibility”).

In order to practically conduct thematic analysis, it was first important to have all the interviews transcribed. These transcripts represented the actual language used. When including extracts from these interviews in this dissertation, the quotes appear in italicized font. Once all the interview transcripts were finalized, the process of identifying and collating response to the key research questions across interviews was undertaken. While this process could have been achieved by copying and pasting in word processing software, the NVivo software package enabled the process to be effected far more efficiently. The software enables users to create open codes as they proceed through their data that correspond to interesting and common facets. The flexibility of the software to identify themes iteratively enables researchers to make the most of the richness of the data. It provides practical assistance for inductive reasoning processes, rather than being confined to deductive reasoning and consequential simplification. In this research, developed a theoretical framework had already been developed along with a set of criteria to underpin the analysis. Some of the codes were constructed prior to reading through the interview transcripts in NVivo, but took advantage of the flexibility of the program to create additional codes as throughout the data analysis process itself.

The final set of codes used is shown in Table 5. The main research questions are displayed in the third column, and all the codes in the two columns to the left have been organized to align with each of the key questions. Other thematic codes appear in the second column, and most of these were apparent from the outset as subsets of the key research questions. One problem of creating new codes in the process of analysis is the chance of becoming immersed with too many of them. This problem was solved by always having a print-out of the codes as coding took place. With this check in place, specific themes were created to determine if they would fit in with larger themes.

Table 5: Codes used for data analysis

TBL evaluation list	Codes developed from interviews	Key research questions
Reason for TBL adoption	Prosperity vs. Responsibility Corporate Strategy vs. Stakeholder needs	<i>Why do organizations adopt TBL?</i>
TBL weaknesses	Benchmarking Environment vs. Social Pragmatism Objective vs. Subjective Informal measurement Separation of economic indicators from financial indicators	<i>What are the inherent limitations in TBL?</i>
Institutional Theory	Compliance driven Coercive Isomorphism Mimetic Isomorphism Metaphor or accounting metric	<i>Vehicle for compliance driven reporting?</i>
Stakeholder theory	Power Legitimacy Link to institutional theory	<i>Do stakeholders influence TBL reporting?</i>
Social dimension of TBL	Social importance Social net profit or loss story telling	<i>Has it improved social accounting/reporting?</i>
Legitimacy & Reputation	Tangible vs. Intangible benefits Key characteristics of TBL reporting Reputation Ranking importance	<i>Is it a reputational enhancer?</i>
Leadership	Culture Leadership change Motivation to report	<i>Has leadership played a key role in its adoption?</i>
Stages of reporting	Stand back and wait approach Being transparent and accountable Alignment of stakeholder needs with business strategy Build reporting system around stakeholder expectations Fully integrated approach	<i>What stage of reporting is the organization currently in?</i>

At the end of coding each interview transcript, the list of codes that had been used as well as not used for each interview was saved. If a code hadn't been used, the interview transcripts would be re-checked to ascertain that the interview had not covered that theme. This record also helped to check the coverage of themes across interviews and the usefulness of the codes that were used. The codes have been reorganized that record in Table 6 and in so doing grouped each code against the key component questions in a simpler layout than that shown in Table 5.

Table 6: Coverage of codes: Number of interviews coded for each theme

Key questions	Codes used	No. of interviews that included this code (out of 40)
Reason for TBL adoption	Prosperity vs. Responsibility	40
	Corporate Strategy vs. Stakeholder needs	40
TBL weaknesses	Benchmarking	36
	Environment vs. Social	30
	Pragmatism	15
	Objective vs. Subjective	35
	Informal measurement	40
	Separation of economic indicators from financial indicators	20
Institutional Theory	Compliance driven	40
	Coercive Isomorphism	40
	Mimetic Isomorphism	40
	Metaphor or accounting metric	40
Stakeholder theory	Power	40
	Legitimacy	40
	Link to institutional theory	40
Social dimension of TBL	Social importance	40
	Social net profit or loss	40
	story telling	40
Legitimacy & Reputation	Tangible vs. Intangible benefits	40
	Key characteristics of TBL reporting	40
	Reputation	40
	Ranking importance	40
Leadership	Culture	40
	Leadership change	40
	Motivation to report	40
Stages of reporting	Stand back and wait approach	0
	Being transparent and accountable	10
	Alignment of stakeholder needs with business strategy	35
	Build reporting system around stakeholder expectations	22
	Fully integrated approach	0

During the entire process of data analysis, potential results were compiled. Each time a new idea came up that could be relevant to present the results set of notes were added to this document. When reading through these results, these would occasionally need to be re-ordered to put similar results together. The benefit of this document is that it could be used as the basis for presenting the results. The coded data could then be used to substantiate and explain how

conclusions had been reached through the use of quotes. It was through the development of this document that an overview of the main results was developed, which are presented in Chapter 5.

4.4 Conclusion

Chapter 2 and 3 show why the research question is significant, and that there is an absence of literature that aims to fill this gap. The method used in this research attempts to demonstrate to the reader that the findings and analysis are essential for academic and practical literature. This is done through interviews with sustainability heads which is linked to heavily grounded propositions from the literature review and subsequent research. The relationship of the key research question to the method revolves around managerial perceptions, expectations, and results of implementing TBL and how that has unfolded in practice since the time of adoption. The propositions, developed further in Chapters 5, 6 and 7 are supported by the data from the interviews. The use of tables, also known as construct tables (Eisenhardt & Graebner, 2007) neatly summarize the evidence from the forty corporations and their views on TBL. In addition, interview excerpts have been referenced to signal the actual rigor and depth of the development of the research argument and propositions. The remainder of the thesis analyzes the data through various theoretical frameworks, and the three publications provide the foundation of the answer to the key research question of this thesis.

CHAPTER 5 CRITICAL REFLECTIONS OF THE TRIPLE BOTTOM LINE AS A SCHEMA FOR REPORTING:

PRACTITIONERS' VIEW

The third article (Chapter 5) which has been published in the *Interdisciplinary Environmental Review*, analyzes the findings from the data analysis stage of the thesis. This paper investigates the TBL reports/reporting processes of the forty global corporations in the selection, looking at the content of reports to determine the level of influence that TBL has in current corporate reporting practices. It also provides a detailed picture of how key members of the forty corporations in the selection currently view TBL based on interviews conducted with the sustainability executives at these corporations.

The findings show that while leadership had pushed TBL into becoming the dominant framework for CSR reporting initially, the limitations inherent in flaws in the framework (mentioned throughout previous papers) are becoming more apparent to all levels of management. These limitations are so profound as to render TBL obsolete as a reporting tool. The interviewees were unanimous in that TBL certainly functioned as a vehicle to begin engagement with stakeholders but when the subject of the overall integration of reporting with corporate strategy is raised, management are still consciously incompetent due to the lack of guidance from TBL principles. While TBL has helped corporations to get ranked or included on various ethical indexes and possibly boost their reputation, the tangible outcomes from this framework are not easily visible.

Citation

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Critical reflections of the Triple Bottom Line as a schema for reporting: a practitioners' view

Abstract

Triple bottom line (TBL) reporting has become a way of life in terms of non-financial reporting at major corporations. However, its utility in terms of value-add for these corporations seems to be a mystery at present. This paper aims to look at how corporations use the TBL as a framework for reporting and what limitations key members of these corporations see with the TBL approach. In particular the motivation behind the employee in charge of conducting non-financial reporting and providing sustainability information has been identified. The paper analyses the results of an investigation into the constructions people put on the triple bottom line framework, and its utility in making sustainability information public, either through standalone reports, annual reports, or online reporting. The main purpose of the analysis was to focus upon issues and factors that drove TBL practices and reporting within a selection size of forty corporations around the world, considered to be best practices adopters in non-financial reporting. The findings are based on a qualitative study and therefore consist of perceptions of the interviewees with regard to their experience with the TBL.

Key words

Triple Bottom Line; Non-financial Reporting; Corporate Governance; Corporate Social Responsibility; Integration; Institutional theory; Stakeholders; Legitimacy; Leadership; Compliance; Ranking; Benefits; Social measurement; Reputation.

5.1 Introduction

Non-financial reporting, and in particular Triple Bottom Line reporting (TBL) has grown in importance over the last two decades. One of the main reasons for this has been demands for greater transparency and accountability, the lack of which has been a factor in various corporate scandals. TBL has been a popular framework that has helped corporations incorporate non-financial dimensions, mainly in the environmental and social dimensions (Elkington, 1997). This phenomenon has also been seen as a strategic move by organizations to maintain their license to operate (Morland, 2006). However, the status of TBL has come into question lately, especially around its language and measurement objectives. The normative prescriptions around TBL have been interpreted as functioning as an engagement tool for corporations with various stakeholder groups (Robins, 2006). The real imperative today for corporations is to think beyond TBL and look for more integration and substance to their non-financial reporting practices (KPMG, 2008).

Existing research evaluates explicitly the quality of non-financial reporting, looking at the quality and quantity of the reports (Kolk, 2008; Stratos, 2008; Langer, 2006; Stiller & Daub, 2007). This paper aims to look at the normative prescriptions behind TBL that have been put forward in the literature and then to compare and contrast these precepts with the real motives behind corporations adopting the TBL framework as evidenced in the expressed motives of those managers who drive TBL reporting in each case. The paper analyses the results of an investigation into the constructions managers put on the TBL, and also their beliefs about it. The fundamental question that the data in this paper informs is the significance placed upon the concept of TBL in corporate reporting. In particular we investigate the motivation behind the employees in charge of conducting TBL reporting. We are able to draw conclusions about the significance that the managers ascribe to TBL as they enact it. Interviews with sustainability managers of the corporations were conducted to gather specific information on how TBL has functioned as a tool for driving non-financial reporting within the business.

5.2 Literature review

The importance of TBL

While there are numerous frameworks for non-financial reporting, TBL has established itself with wide adoption by corporations globally (Berger, Cunningham and Drumwright, 2007, Henriques and Richardson, 2004, Morland, 2006). Whetten et al. (2002) describe TBL reporting as a practice that encapsulates a corporation's fundamental responsibilities in the economic, social, and environmental parameters. TBL reporting can be seen as a contemporary approach that involves corporate engagement with both internal and external stakeholders.

TBL as a strategic practice

With the growth to prominence of sustainability indexes like the Dow Jones Sustainability Index (DJSI), corporations may see a value add from TBL reporting through the recognition and/or attraction of investment for their efforts. Research shows that there is a linkage between adopting TBL practices and an improved corporate image, making TBL a strategic practice ((Bryan and Smith, 2005; Smith et al., 2004, Gibson, 2006; Hacking & Guthrie, 2008). The literature suggests a number of dimensions to TBL as a strategic practice. Firstly, corporations can put on display non-financial reporting practices and in particular, demonstrate how they are addressing the needs of the environment, of their employees, and/or appearing to develop integration of the corporation with the external community (Morland, 2006). Secondly, a corporation may hope to garner the trust and acceptance of customers and stakeholders through incorporating TBL into its corporate reporting practices (Alsop, 2004; Smith and Lias, 2005). Thirdly, TBL allows corporations to collect information about present and possible environmental and social problems, involve their stakeholders and manage their expectations, incorporating a decision-making process into strategic planning, and developing a more ethical corporate behaviour (Hamel & Prahalad, 1994). Porter (2001a, b) has written that this type of a long-term non-financial reporting activity can give corporations a sustainable competitive advantage. To Porter sustainable competitive advantage is enhanced by value adding processes that are difficult to copy. A TBL based strategy falls into this category because it is more difficult for competitors to imitate a number of activities than it is to imitate a single activity.

TBL involves mixing activities that incorporate the efforts of stakeholders (internal and external) to the corporation, a set of relationships that is difficult to replicate.

The weaknesses of TBL

There are a number of limitations within TBL which bring into question the motives from which corporations adopt TBL. A fair question at this point would be whether corporations adopted TBL to be 'compliant' with external views and perceptions; or alternatively, whether TBL pushed corporations to go beyond compliance. In order to answer this question a better understanding of the major limitations within the TBL framework need to be uncovered.

TBL and stakeholder theory

Stakeholder theory explains the nature of the relationships that stakeholders have with the corporation in terms of both the outcome and the impact for both the corporation and its stakeholders (Mitchell, Agle & Wood, 1997; Freeman, 1984). According to Mitchell, Agle & Wood (1997), power and legitimacy are two main drivers that construct the stakeholder-corporation relationship. Stakeholders can display a certain level of will or control in their relationship with corporations as evident in the establishment of departments dedicated to public affairs or investor relations. The power is exerted by the stakeholders, and corporations legitimate these stakeholders after recognizing their power. Recently, corporations have started to put out TBL reports not only to legitimize their own activities but also to give legitimacy to stakeholders perceived by them to be powerful (KPMG, 2008).

Stakeholder theory provides one explanation of the purpose of corporations' adoption of the TBL framework as a means to satisfy the needs of stakeholder groups' values in the economic, environment and social dimensions. The reason for this is that the principles inherent in TBL are more centered on the firm than on the stakeholders i.e. management implements TBL reporting with the purpose of understanding their stakeholders and in order to maintain their license to operate. Mitchell, Agle and Wood (1997) call this the public affairs approach. However, a more socially responsible approach in stakeholder theory requires corporations to

integrate the needs and interests of all their stakeholder groups within the social system of the corporation.

TBL and compliance

Non-financial reporting and sustainability are processes that can evolve to higher levels.

Dunphy, Griffiths & Benn (2003) explain how corporations advance in stages in order to move towards improved performance in sustainability. The table below depicts their ‘The Phase Model’ (Dunphy et al., 2003):

Table 7- The Phase Model (Dunphy et al., 2003)

<u>The Phase Model</u>
Rejection
Non-responsiveness
Compliance
Efficiency
Strategic Proactivity
<u>The sustaining corporation</u>

The evolutionary path above suggests that corporations move along a path that begins with ‘rejection’ and ultimately ends with becoming a ‘sustaining corporation.’ The focus of this section is to understand the impact of TBL in pushing corporations to be compliant, and whether TBL pushed corporations to go ‘beyond compliance’, i.e. along the stages of efficiency, strategic proactivity and the sustaining corporation. For the sake of this paper, the argument revolves around ‘compliance vs. beyond compliance.’ Corporations seeking to be compliant would want to fulfill or comply with environmental, health and safety requirements and community expectations. In terms of business opportunities, corporations tend to conduct TBL reporting to avoid potential huge costs of non-compliance. This can also be seen as a risk management strategy. The benefits from being compliant are mainly in risk minimization, improved corporate reputation and improved relationships with regulators. The ‘beyond compliance’ phase requires corporations to redefine the business environment in the interests of creating a more sustainable society and to integrate that with the core strategies of the

corporation. This requires a *change management* approach rather than a *risk management* approach.

The agencies of compliance stakeholders are sophisticated and are inclined to expose the weaknesses in the TBL framework. An important need for stakeholder groups such as social and environmental groups is to question the manner in which corporations conduct their operations and also the way in which they report their activities. This need was fulfilled by the TBL framework (Ho & Taylor, 2007; Norman & Macdonald, 2003; Kolk, 2003). However, TBL has also been criticized as ‘a very procedural and linear framework’ whereby flexibility and room for change is not part of its construction (Morland, 2006; Savitz & Weber, 2006). While the literature on non-financial reporting evolved, TBL was stuck in principles that were developed when it was first conceived.

TBL as a metaphor

The issue of whether TBL functions as an objective accounting metric or simply a rhetorical tool for informing non-financial reporting practices is central to this research. In practice, there is evidence that a major outcome from developing the TBL approach was that it worked as a metaphor that allowed people’s minds to easily comprehend environmental and social achievements in an acceptable managerial form (Brown, Dillard & Marshall, 2006; Wexler, 2009). The great achievement of the TBL is as a metaphor that frames environmental and social achievements in a form easily acceptable to the business mind. The symbol of the “bottom line” is the net income reported on the financial statements of corporations. Net income is the difference between the revenues of a period generated by selling the corporation’s products or services and the costs of producing and selling those products or services and captures the corporation’s inflows and outflows in a single figure. As a metaphor, the TBL has created an imagery of three bottom lines without providing three actual bottom lines (Morland, 2006). Despite a lack of objectivity, corporations have seen a value in TBL’s metaphoric substance and its use as a marketing tool. However, a corporation that operates purely from an economic perspective, i.e., profit maximization, creates a question of legitimacy in terms of how the social

and environmental accounting is conducted. The level at which TBL information can be audited directly informs whether TBL functions as a metaphor or as a real accounting metric. While auditing firms do verify TBL reports, the objectivity of the auditing procedures can be questioned. For example, how does one audit the death of an employee on the job? Numerous assumptions and variables need to be factored in to this question. This is but one example of how the subjectivity of TBL reporting confirms its function as a metaphor.

TBL's lack of measurement

While TBL reporting has helped give transparency and accountability a greater recognition in terms of language, the precise terms of this accountability are not clearly defined. The social contract between the society and corporations as well as auditors and companies regarding accounting for environmental data has been researched in the accounting literature (Livesey & Kearins, 2002). This research has extended to also look at how non-financial reporting has been advanced in order to meet demands for a broader sense of accountability (Repetto, 2005; Ball et al., 2000). The current state of the annual report typically includes some data on corporate governance and environmental performance. However, the non-financial sections are often still separate from the rest of the information in the report.

Elkington (1997) claims two particular strengths that he attributes to the TBL approach: the measurement claim and the aggregation claim. "The Measurement Claim states that components of 'social performance' or 'social impact' can be measured in relatively objective ways on the basis of standard indicators. The Aggregation Claim states that a social net profit or loss can be calculated once the data from indicators mentioned in the measurement claim have been gathered and a formula can then be used to derive the social net profit or loss (Norman and MacDonald, 2003). The social net profit or loss is analogous to a financial net profit or loss; however, deriving a social net profit or loss for an indicator as complex and is often better informed by qualitative data. The social and environmental performance for each corporation and industry is unique and is extremely difficult to quantify (Hubbard, 2006). The major problem with the claims and measuring social performance is the distinction that needs to be

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made between quantitative and qualitative analysis. Determining how good or bad an action is can be a qualitative result of a social impact of corporate activities.

TBL's lack of integration

The capacity of specialists to integrate the three dimensions is limited by the fact that each is underpinned by different disciplinary knowledge: finance, ecological science, and social analysis (Gibson, 2006). Elkington's elaboration of the TBL shows 'the need for integration between the economic, environmental and social areas as this provides a better picture to the community in terms of impacts' (Downes, McCoy, Rogers and Taylor, 2002). In practice, the TBL focuses on the co-existence of the three bottom lines but doesn't show their inter-linkages. The consequences include a tendency to ignore the profound interdependence of these factors, and the possibility that managers will see them as likely to be conflicting rather than potentially complementary. The TBL approach is often accompanied by an assumption that sustainability is about balancing (Hacking and Guthrie, 2008), which contradicts both the key insights concerning the interdependence of factors and the need for mutually supporting advances on all fronts (Archel, Fernandez and Larrinaga, 2008). In addition, the TBL approach does not necessarily address the concerns that are usually expressed by citizens who are the intended beneficiaries of strategic and project level undertakings (Ho and Taylor, 2007). These concerns rarely fit into the social, economic or ecological categories. An integrated form of TBL reporting can address a wide range of audiences, and try and balance/improve the corporation-society contract as well as the corporation-shareholder contract by trying to find overlaps between the two groups. Margolis & Walsh (2003) consider balancing and providing information that stakeholders and shareholders request, satisfying their needs while also mediating conflicts between these two groups, to be a dilemma. The public interest in corporate scandals has driven corporations to play a role of "avoidance" of risk through adopting Triple Bottom Line reporting (TBL) rather than pursue opportunities in engaging stakeholder dialogue and creating a more holistic framework that works as a win-win situation. Avoidance of risk does not necessarily mean that corporations are incorporating the obligations of accountability into their collective sense of responsibility.

5.3 Methodology

This section looks at the methodology and how the corporations were selected. We first conducted a thorough analysis of the TBL reports to interpret the significance of reporting to the corporation informed by its apparent use of the medium. We then used semi-structured interviews to expose the beliefs of the key personnel in charge of non-financial reporting.

Selection of corporations

By looking at different sustainability indexes and projects like the Dow Jones Sustainability Index, FTSE4Good, Forbes Global 100 and the Carbon Disclosure Project, we identified and selected a group of global corporations that were - on the basis of their inclusion in the index – putting a systematic effort into non-financial reporting in accord with the triple bottom line. The group of forty corporations, in de-identified form making a systematic effort in the area, is shown in Table 8:

Table 8: Selection of forty corporations

ORGANIZATIONS	INDUSTRY	COUNTRY	TYPE OF REPORT	HOW LONG HAVE THEY PUT OUT THE REPORT/COLLECTED DATA FOR INTERNAL REPORTING?
A1	Auto Manufacturers	GERMANY	CSR Report	5 years
A2	Auto Manufacturers	U.S.A	Sustainability Report	6 years
A3	Auto Manufacturers	AUSTRALIA	Sustainability Report	6 years
B1	Beverages	AUSTRALIA	Sustainability Report	8 years
B2	Beverages	AUSTRALIA	Sustainability Report	6 years
C1	Building and construction materials	AUSTRALIA	Sustainability Report	5 years
C2	Commercial and Professional Services	AUSTRALIA	Sustainability Report	3 years
C3	Commercial Services & Supplies	AUSTRALIA	Sustainability Report	5 years
C4	Consulting	AUSTRALIA	Corporate Citizenship Report	4 years
E1	Energy	AUSTRALIA	Sustainability Report	8 years
F1	Financials	CANADA	Corporate Responsibility & Sustainability Report	8 years
F2	Financials	AUSTRALIA	Corporate Responsibility Report	8 years
F3	Financials	AUSTRALIA	Sustainability Report	8 years
H1	Healthcare	AUSTRALIA	Corporate Responsibility Report	2 years
H2	Healthcare	ENGLAND	Corporate Responsibility Report	5 years
I1	Industrials	GERMANY	Corporate Citizenship Report	5 years
I2	Information Technology	U.S.A	Sustainability Report	5 years
I3	Information Technology	AUSTRALIA	Sustainability Report	5 years
I4	Information Technology	AUSTRALIA	Sustainability Report	5 years
I5	Insurance	AUSTRALIA	Sustainability Report	5 years
I6	Insurance	AUSTRALIA	Sustainability Report	7 years
I7	Investment Banking	SWITZERLAND	Sustainability Report	8 years
M1	Materials	AUSTRALIA	Sustainability Report	7 years
M2	Materials	AUSTRALIA	Sustainability Report	9 years
M3	Materials	AUSTRALIA	Sustainability Report	5 years
M4	Materials	ENGLAND	Sustainability Report	3 years
M5	Media	AUSTRALIA	Sustainability Report	8 years
P1	Print Services	AUSTRALIA	Sustainability Report	5 years
R1	Real Estate	AUSTRALIA	Sustainability Report	5 years
R2	Real Estate	AUSTRALIA	Sustainability Report	7 years
R3	Real Estate	AUSTRALIA	Corporate Responsibility & Sustainability Report	8 years
R4	Retail	AUSTRALIA	Sustainability Report	7 years
T1	Telecommunications	AUSTRALIA	Sustainability Report	10 years
T2	Tourism	ENGLAND	Sustainability Report	10 years
T3	Transport & Logistics	AUSTRALIA	Sustainability Report	10 years
T4	Transport & Logistics	AUSTRALIA	Corporate Responsibility Report	10 years
T5	Transportation	AUSTRALIA	Sustainability Report	4 years
T6	Transportation	AUSTRALIA	Sustainability Report	2 years
T7	Transportation infrastructure	AUSTRALIA	Sustainability Report	2 years
U1	Utilities	AUSTRALIA	Sustainability Report	4 years

The corporations selected had agreed to interviews, conditional upon the corporation's name and the interviewee's name being kept confidential. Hence a company code has been assigned to individual corporations. As shown in Table 8, the annotation for each corporation relates to their industry in each case. The corporation that is in the Utilities industry is coded as 'U1' while a corporation in the Financials industry is coded as 'F1.'

Interviews

The interviews looked at how corporations perceived Triple Bottom Line as part of their reporting framework and reasons/motivations behind their push for embracing non-financial reporting. The interviews provided insights into the real meaning of TBL to corporations, and how they perceive to deal with serious limitations within the framework. The job position of each interviewee is provided below in Table 9.

Table 9: Job title of interviewees

ORGANIZATIONS	JOB TITLE OF INTERVIEWEES
A1	Director, Corporate & Governmental Affairs
A2	Director, Sustainability & Environmental Policy
A3	Manager, Environmental Policy
B1	Sustainability Manager
B2	Sustainability leader
C1	General Manager, Corporate Affairs and Investor Relations
C2	General Manager, Environment and Climate Change Solutions
C3	Group Manager, Environment
C4	Director, Corporate Citizenship□
E1	Manager - Investor Relations & External Affairs□
F1	Manager, Corporate Responsibility & Sustainability
F2	Manager Corporate Responsibility Reporting □
F3	Senior Advisor, Sustainability
H1	Corporate Responsibility Associate
H2	VP, Corporate Responsibility
I1	Director, Corporate Citizenship□
I2	Manager, Corporate Affairs
I3	Environmental Manager
I4	Regional Director
I5	General Manager Corporate Affairs
I6	Manager, Business Sustainability
I7	Director, Sustainability Affairs
M1	Sustainability Analyst
M2	Sustainability Energy Officer
M3	Sustainability Manager
M4	Global Director, Sustainability
M5	Director, Sustainability
P1	Manager Environment And Sustainability□
R1	Sustainability Manager□
R2	Sustainability Manager
R3	Coordinator, Corporate Responsibility and Sustainability□
R4	Sustainability Manager□
T1	Group Manager Environment □
T2	Head of Sustainability
T3	Senior Communications Advisor
T4	General Manager, CR & Quality
T5	National Manager Environmental Sustainability Planning
T6	Manager, Risk & Sustainability Reporting
T7	Strategy & Marketing Manager
U1	Manager, Reporting

The interviewees in this research were selected for their involvement as drivers of the TBL reporting process and in practice turned out to be based in the sustainability and investor relations departments of the corporations. The reason for selecting employees from these functions of the business was to obtain intrinsic and valuable information on the TBL efforts that the interviewees carried out. In addition, their engagements with various stakeholder groups would also inform their own views on the status of their non-financial reporting and TBL practices; this would in turn provide beneficial data for the research as well. The corporations in the sample have different names for their non-financial reports, ranging from 'sustainability reports', 'CSR' reports to 'Corporate Responsibility & Sustainability' reports. While a majority of them adopt the Global Reporting Initiative as a framework for reporting, the level of satisfaction with GRI (an improvement of TBL) is minimal and this is apparent from the interviews. Hence, these large corporations, located around the world, have a common problem with TBL.

Coding and analysis of interviews

Prior to interviews, detailed content analysis of the reports was conducted to identify the partial reporting structure of the corporation as evident in the report. To conduct content analysis of the reports of the corporations, a spread sheet was created around each key area which was in turn used to record the results for each company's reporting. In order to perform the content analysis, qualitative analysis around keywords in the text was conducted. The interview transcripts were then coded and areas/issues of material importance to the research question were identified and classified. The process of coding led us to identify 43 codes, which represented discrete issues identified within TBL. Another stage of coding was conducted to highlight coded passages from the interviews. The passages containing the codes were then analysed and collapsed into a broader group in order to determine key themes/issues arising from the interview data. The interviews helped ascertain how the process of TBL that had been delivered corporately was interpreted by the individuals who had the task of implementation.

5.4 Findings

Key TBL themes established surrounding the respondent's perspective of TBL were around the importance of TBL, the weaknesses in TBL reporting, the reputational factor of TBL, the level of integration in TBL, and the importance of the social dimension in TBL.

The importance of TBL

Respondents were asked to explain the significance of TBL to their non-financial reporting system as well as to their business. While our specialist managers professed an understanding of TBL, they attribute to other managers in the corporation a more limited focus on the financial bottom line.

If you put the term TBL around management groups, they wouldn't understand. From an economic point of view, managing sustainability in the company is important. It is easy for operational managers in the business to not believe in the "green" initiative unless there is a financial outcome or benefit for the company. They perceive more as a cost for the company. From an economic point of view, any sustainability initiative we make must have an economic driver [Quoted from T5].

T5's interviewee mentions the ignorance of internal stakeholders at the corporation regarding the environmental and social importance of TBL reporting. If any initiative, including a sustainability initiative, must have a direct and positive impact on the economic bottom line to garner the interest of senior management as well as secure acceptance from the corporation as a whole.

The reason for adopting TBL reporting started from external pressures. We had market pressures from activist groups, and their request for information. It was in 2000/01 that we saw it is difficult for us to report on this area but if we wanted to report it externally, we needed better measures [Quoted from C1].

The normalization of TBL as the strategic non-financial reporting tool into corporate reporting practices dates back to the early 1990's when Elkington coined the term. The data from the interviews attempted to see if corporations recognized and acknowledge Elkington, stakeholders, or other professional bodies as a reason for embedding TBL into their culture and language. While none of the corporations explicitly mentioned Elkington or his consultancy company as a catalyst for implementing TBL, they indirectly mentioned how stakeholders, both external and internal, recognized TBL as a norm which in turn forced corporations to adopt it as their dominant reporting framework as well.

At the moment TBL is seen as a way to engage with stakeholders externally as well as driving awareness within the business [Quoted from M3].

In the first quotation (C1) we see a broader accountability being imposed by outsiders; in the second case (M3) we detect a more proactive attempt to engage with stakeholders both inside and outside of the business.

For all forty corporations interviewed, the non-financial reporting concept had developed beyond TBL. TBL was seen as a framework for reporting but not a driver. In particular it seemed to some to be quite limiting in its scope and definition. Instead managers refer to larger, more abstract concepts of responsibility as providing guidance:

Primarily, TBL is about putting business costs back to social responsibility issues such as environment or community services [Quoted from T4].

Once again, the capitalist frame of mind is apparent here behind a TBL way of thinking and its link towards managers who accept frameworks that are underpinned by capitalism and profit maximization. Rather than trying to determine the social value of their responsibility or

community engagement, T4 desires to attach a dollar value back to the social dimension of TBL.

At the end of the day, the TBL reporting is backing up our assertion to have a licence to operate; in order to move forward with our non-financial reporting practices, we have to be more holistic and proactive, concepts that are not inherent or embedded in TBL literature or thinking [Quoted from E1].

Based on the above quotations, it's clear that the level of positive feedback surrounding TBL's capabilities in the true spirit of non-financial reporting is missing. Corporations talk about awareness, compliance, maintaining licence to operate and operational costs as some of the main drivers of TBL reporting.

Number of TBL mentions throughout report

If TBL served as a wakeup call to corporations in terms of their lack of non-financial disclosure, or if the phase had legitimacy or gravitas attached to it in the minds of managers, then we would expect the phrase "Triple Bottom Line" to be mentioned several times throughout the non-financial reports of corporations analyzed in this paper. However, the data shown in the second field of Table 10 indicates that the phrase "Triple Bottom Line" is not mentioned in any of the forty corporations' reports or on their online sustainability websites.

Table 10: TBL's importance to corporations

Company Coding	TBL mentions	Q1- Importance
A1	0	Not important
A2	0	Only bottom line
A3	0	Engagement process
B1	0	Balancing act
B2	0	Follow competitors
C1	0	Raised awareness
C2	0	No meaning to us
C3	0	Don't limit to TBL
C4	0	Meaningless phrase
E1	0	License to operate
F1	0	Not in the language
F2	0	Awareness of CR
F3	0	Never TBL; Stakeholder impact report
H1	0	None; GRI because other companies use it
H2	0	Beyond TBL
I1	0	Compliance process
I2	0	External pressures
I3	0	Not in the language
I4	0	No TBL; outcome focused
I5	0	Broader perspective
I6	0	Broader perspective
I7	0	Use corporate citizenship, not TBL
M1	0	5 domains- no TBL
M2	0	Follow competitors
M3	0	Engagement process
M4	0	TBL was reactive; now more proactive
M5	0	Good starting framework
P1	0	Beyond TBL; more holistic
R1	0	Raised awareness
R2	0	Materiality
R3	0	Not a driver
R4	0	Raised awareness
T1	0	Outdated concept
T2	0	External pressures; trend from businesses
T3	0	Business benefits
T4	0	Pinning business costs on env/soc
T5	0	Compliance
T6	0	Compliance process
T7	0	External pressures
U1	0	Compliance process

If the terminology of TBL is absent in reports, does this necessarily mean that the framework is not important for corporations? The answers regarding the importance of TBL are summarized in the third field of Table 10. Based on the sustainability reports and online reporting by the forty corporations, the absence of reference to TBL as well as their own perspective on the idea

of economic, environmental and social reporting suggests that the importance of TBL in their explicit knowledge about reporting has disappeared. With over 3000 pages of reports as well as forty websites on sustainability, the absence of a seemingly groundbreaking concept like Triple Bottom Line raises the question as to its importance and utility as a framework and whether it has simply been institutionalized in corporate behavior or whether it still serves a purpose from an accounting perspective for reporting. It is certainly a possibility that the absence of the phrase “triple bottom line” being mentioned explicitly does not necessarily negate its importance to the corporations. However, its absence raises the potential for its out datedness as a relevant framework for non-financial reporting.

Purposes behind TBL reporting

Yet the reports still largely follow the TBL mental template. While the primary question focused on the importance of TBL to corporations, the main purpose for this section is to see what drives TBL reporting.

TBL as a reputational factor

In order to analyze interviewees’ data, two questions have been raised: the tangible vs. intangible benefits from TBL reporting; the importance of being ranked/ included on sustainability indexes. The adoption of TBL purely to enhance the reputational aspects of a corporation is the purpose of this set of questions.

Tangible vs. intangible benefits

Did corporations see a relationship between performances as recorded by their non-financial data back to their financial bottom line? Were they able to see any tangible benefits arising from their non-financial reporting alone or was it all intangible?

I can't see many tangible benefits coming from our CSR efforts. Our CEO feels it is important for us to put the report out as some of the corporations we are involved with

us appreciate that we put it out. I can't really see many other benefits except maybe winning awards or having best practices [Quoted from F1].

F1 clearly is unable to see a tangible outcome from TBL reporting. Despite a need to put a dollar value or determines costs and savings from TBL, F1 simply struggles with measuring the link.

We can't map an increase in share price based on our sustainability efforts. Intangible benefits are easier to measure. Our future employees care about this area and hence employee recruitment and retention is a benefit for us. Increasing our customer base is also an indirect benefit from our reporting [Quoted from I7].

The excerpt above exposes a fundamental limitation of TBL in that monetizing everything back to dollars and cents is a philosophy of TBL that complements the age of profit maximization as being the ultimate goal. However, corporations intending to be socially responsible can't view non-financial reporting in such a manner as it debunks the meaning behind what is meant to be non-financial. Since corporations are struggling to separate TBL reporting from profit maximization, they are aiming to develop more holistic and robust frameworks that provides a better picture of how the financials and non-financials function in an integrated manner. The institutional logic of deinstitutionalization fits in with the TBL framework. Profit maximization is a fundamental driver for corporations to embrace TBL reporting (Sridhar, 2011). This institutionalized belief is driven by the idea that the catalyst for creating corporate value-add is the pursuit of financial performance or net profit as the indicator. Triple Bottom Line came into existence in the early 1990's when corporations were looking for a way to satisfy the need to report on their non-financial information. A number of flaws in TBL reporting however have led to its demise as a framework as well as an institution. Firstly, the ability to measure impacts from social and environmental activities was never a part of the TBL formula although one of its institutional ingredients was to in fact measure impacts from these non-financial areas (Elkington, 1998). Secondly, TBL embedded an institutional sentiment that the economic

dimension should be integrated with the environmental and social dimensions; this never occurred as balance was the key word of TBL rather than interdependence. Although TBL metaphorically replaces one bottom line with three bottom lines, institutionally it has created three separate bottom lines to influence the outcome on the black bottom line or the financial bottom line.

Benefits: reputation, brand, leadership, credibility, opportunity to tell our story in an engaging way in a credible manner, assurance is important (Deloitte produced a great global CSR report but was not assured, so it could be used as a marketing tool), we want our report to be assured, accountability, transparency, best practices. Hopefully, it will attract clients and employees to our firm [Quoted from C4].

The above quotations suggest that the significance of TBL reporting is ascribed to the functions of marketing and human resource management. The corporations above show that the significance of TBL reporting stems from the need for external validation and also to secure their credibility. All forty corporations were unable to map any tangible benefits from their TBL reporting. The biggest complaint was the inability to link the non-financial performance back to the bottom line, which was one of the original promises of TBL. However, the intangible asset of reputation is something that corporations can distinctly map based on stakeholder pressures, expectations and engagement. TBL has certainly been institutionalized into corporate culture primarily with the goal of providing a pathway for corporations to satisfy external requirements and enhance their reputation and credibility by just reporting on their environmental and social data; there isn't any real formula or accounting method for integrating or mapping impacts among the three areas that is evident in any of the reports or the discourse of the managers who created them.

Ranking importance

A number of sustainability indexes exist today and if TBL provides reputational enhancements to corporations, then getting ranked on these indexes is a possible tangible outcome from the

intangible driver. The question was posed to the interviewees regarding the importance of getting ranked in indexes like the Dow Jones Sustainability Indexes and so on.

It is very important as it is an external validation of what we are doing. Last year our report was externally assured so there was that credibility. Having that external recognition like DJSI and FTSE is important for us [Quoted from M1].

This question was raised to understand the level of importance corporations gave to getting included in ethical indexes, if they couldn't map tangible benefits or outcomes from TBL reporting. M1 believes that gaining the index inclusion acts as an internal and external validation mechanism to show stakeholders that the corporation is being transparent and accountable.

It is important for us to be ranked. When we fill the questionnaires we know we may be weak in a certain area even before we are told. We are not being compared with companies in other industries though. We are compared with other banks. We were on leadership index of CDP and we used that to our advantage to put it in every press release and get some mileage out of it [Quoted from F1].

TBL is seen to serve as a tool to engage stakeholders and helps them to ensure that the company is perceived in all its dimensions of what they do which then results in increased reputation which is assigned to them by their diverse stakeholders. Corporations that get ranked on indexes believe that it will garner them a certain amount of visibility in industry leadership, although this has an element of faith since they do not do anything to measure/assess their leadership profile. Eventually, they want to see that visibility transforms into improved business performance. Internally, they want to have a positive impact on employees and want them to engage more readily with the corporation. The prevailing assumption is that this level of engagement will bring higher levels of productivity.

Content analysis- Tangible vs. Intangible Benefits

Since the promise behind TBL was the ability to report on non-financials in a similar manner to financials and assign dollar values to economic, environmental and social areas, the analysis looked at corporations' reporting systems to see whether tangible benefits could be identified within their reporting processes. All forty corporations seem to point to reputation as the only real intangible benefit (Table 11) that has come from taking a TBL framework as the starting point for reporting.

Table 11: TBL's reputational factor

Company Coding	Q5- Tangible vs Intangible benefits
A1	Intangible benefits: reputation, legitimacy, image etc.
A2	Intangible benefits: reputation, legitimacy, image etc.
A3	Intangible benefits: reputation, legitimacy, image etc.
B1	Intangible benefits: reputation, legitimacy, image etc.
B2	Intangible benefits: reputation, legitimacy, image etc.
C1	Intangible benefits: reputation, legitimacy, image etc.
C2	Intangible benefits: reputation, legitimacy, image etc.
C3	Intangible benefits: reputation, legitimacy, image etc.
C4	Intangible benefits: reputation, legitimacy, image etc.
E1	Intangible benefits: reputation, legitimacy, image etc.
F1	Intangible benefits: reputation, legitimacy, image etc.
F2	Intangible benefits: reputation, legitimacy, image etc.
F3	Intangible benefits: reputation, legitimacy, image etc.
H1	Intangible benefits: reputation, legitimacy, image etc.
H2	Intangible benefits: reputation, legitimacy, image etc.
I1	Intangible benefits: reputation, legitimacy, image etc.
I2	Intangible benefits: reputation, legitimacy, image etc.
I3	Intangible benefits: reputation, legitimacy, image etc.
I4	Intangible benefits: reputation, legitimacy, image etc.
I5	Intangible benefits: reputation, legitimacy, image etc.
I6	Intangible benefits: reputation, legitimacy, image etc.
I7	Intangible benefits: reputation, legitimacy, image etc.
M1	Intangible benefits: reputation, legitimacy, image etc.
M2	Intangible benefits: reputation, legitimacy, image etc.
M3	Intangible benefits: reputation, legitimacy, image etc.
M4	Intangible benefits: reputation, legitimacy, image etc.
M5	Intangible benefits: reputation, legitimacy, image etc.
P1	Intangible benefits: reputation, legitimacy, image etc.
R1	Intangible benefits: reputation, legitimacy, image etc.
R2	Intangible benefits: reputation, legitimacy, image etc.
R3	Intangible benefits: reputation, legitimacy, image etc.
R4	Intangible benefits: reputation, legitimacy, image etc.
T1	Intangible benefits: reputation, legitimacy, image etc.
T2	Intangible benefits: reputation, legitimacy, image etc.
T3	Intangible benefits: reputation, legitimacy, image etc.
T4	Intangible benefits: reputation, legitimacy, image etc.
T5	Intangible benefits: reputation, legitimacy, image etc.
T6	Intangible benefits: reputation, legitimacy, image etc.
T7	Intangible benefits: reputation, legitimacy, image etc.
U1	Intangible benefits: reputation, legitimacy, image etc.

The broad categorisation in Table 11 subsumes considerable homogeneity. For example, T3 is able to see cost reduction and attracting and retaining the best employees as key benefits, but most importantly, they believe that TBL is a means of safeguarding their key brand attribute, which they see as “trust”. I7 believes TBL to be a tool that helps to engage with stakeholders and allows the company to be perceived as achieving results in all the TBL dimensions, which then results in enhanced reputation. The challenge within the TBL framework remains for these companies that of identification and reporting on measureable indicators for intangible relational qualities such as trust.

Weaknesses in TBL reporting

Data from the interviews showed the difficulties practitioners had with demonstrating the strengths of TBL as a robust non-financial reporting framework.

We can't monetize everything and that's a limitation of TBL. What can't be monetized can't be valued and TBL does not provide an answer to this problem. Employee engagement, safety are key social indicators for us and we don't use dollars and cents as proxies for measuring those indicators [Quoted from P1].

The problem with putting TBL into practice is that there isn't the integrated accounting standard for non-financial reporting which TBL had promised to deliver. *“Having a scorecard approach at the moment complies with a TBL way of thinking but integration certainly does not relate to TBL”* [Quoted from I2]. It is far from being definitive in comparison to financial accounting standards. The bottom line (net profit) does not consider any value that might be gained from non-core business work. If a corporation can't quantify the financial impact of a social investment, then how do they treat TBL? The economic dimension of TBL also functions as a confusing metric for many corporations. If we talk to a CEO who has grown up with the financial accounting guidelines, he/she might struggle to understand the economic guidelines of

the GRI. There is no widely accepted currency for those three areas and corporations can literally provide any kind of account they want.

Metaphor/Accounting Metric

A business metric is any type of measurement used to gauge some quantifiable component of a company's performance. Metaphors are comparisons between two dissimilar things. The use of a metaphor is a way to describe something. In this case, TBL promises on being an accounting 'metric' in terms of objective measurement by using the term 'bottom line' its title. A bottom line refers to a net income, which synthesizes large amounts of financial information into an aggregated number like a profit or loss. The TBL on the other hand, is a metaphor where it symbolizes every company's dream of having bottom lines across three important areas, but in fact, this is simply a metaphor. No corporation to date has been able to demonstrate this; PUMA is the first company to have an environmental bottom line in 2011 with the help of TruCost.

In order to understand the level of embedding of TBL within corporate culture, the question posed to interviewees was whether they perceived TBL as a metaphor or as an accounting metric. This major issue was answered with a great degree of confidence by the interviewees to the effect of TBL's role in non-financial reporting as being simply a metaphor:

It is definitely seen as a metaphor. It is not that we do accounting following TBL but more that we try to balance our efforts amongst the three areas of the TBL approach to make sure that we don't just push one of the pillars [Quoted from A1].

TBL has a great deal of power over corporate decision making processes. The interviewees in our sample confirmed the view that TBL's rhetorical powers provided a 'legitimizing' framework that their stakeholders could also understand as being transparent and accountable, even without the objective accounting measurement standards. Corporations tended to view TBL as a buzzword in non-financial reporting nearly a decade back. It was a way of getting people to understand. It's now a metaphor in helping people understand how the three areas work together. There is no integrated accounting framework that brings the TBL together and

comes out with some sort of holistic metric that captures the interrelationships among the three areas. The environmental accounts are still separate from the social and economic accounts in sustainability reports. From a measurement perspective, the environmental and economic areas are more objective and rigorous under the TBL framework but the social area is still not accounted for properly. The bottom line does not consider any value that might be gained from non-core business work. TBL never actually filled the gap for an accounting standard for non-financial data even though there was intense pressure to have one which relegated its status over the years.

TBL is more of a phrase or a metaphor. It was a buzzword in non-financial reporting 8 years ago, but not anymore [Quoted from M2].

Managers seem to interpret TBL as a vehicle/metaphor to get people to understand that these three ingredients contribute to the bottom line. As a metaphor, TBL is apparently serving this purpose since managers in this selection uniformly understand its significance as a driver of a change of mindset. Although TBL wanted to bring the financial and non-financial dimensions closer in terms of measurement, the non-financial dimensions still are not on the same level of tangibility and measurability as the financial dimension. Human rights is an example. It is an important issue but corporate managers do not feel mandated to talk about it by shareholders.

Corporations in our selection view non-financial reporting as something that's actually broader than simply being an accounting metric. They understand that not everything in non-financial reporting is quantitative. They have taken the TBL metaphor and attempted to go further with their non-financial reporting by having separate documents beyond financial reporting that looks at their environment and social reporting separately and how it benefits their broader stakeholders. However, as the subject of integrating financial and non-financial information grows in popularity and as corporations want to see the effects of their non-financial performance on their bottom line, the prospect of having a certain level of objectivity in data and integration in reporting is growing in importance to the corporate strategy. Under TBL

methodology though it is difficult to report non-financial information in an objective accounting manner, according to the forty corporations, as there is no set formula or methodology prescribed by TBL to accomplish this feat.

Compliance or beyond compliance

The issue raised from this question is whether TBL pushed corporations to be compliant or even go beyond compliance. Dunphy et al. (2003) created a stage-by-stage model to determine which phase of development towards the ideal of “the sustaining corporation” the organization has achieved. The first stage in Dunphy’s framework is ‘rejection’ and the final stage was the ‘sustaining corporation’. In the middle lies the stage of ‘compliance’. We wanted to pose the question of compliance to the interviewees to understand whether TBL was an apt framework for that stage, or whether it could be a framework that took corporations towards attaining the stage of ‘sustaining corporation.’ While reporting is voluntary, the term “compliance” here relates to the need to comply with external pressures and whether TBL served that purpose. In addition, TBL’s power to take non-financial reporting to a more holistic, integrated level is questioned. Below are some of the answers from the interviewees:

It is a compliance process with TBL. We started out with TBL and it was seen as a one off document to address lot of stakeholder inquiries, requests [Quoted from B1].

Mandatory compliance in the environmental area is one of the main reasons that corporations started on the TBL journey. However, a key driver behind TBL’s recognition by managers today is “voluntary” compliance. For all forty corporations, TBL reporting is mainly compliance and stakeholder driven, especially pressure from institutional investors. Most corporations’ customers and investment communities are concerned with the corporation’s performance, financially and non-financially. A number of corporations look at what their peers are using in terms of a framework for non-financial reporting.

In order to think beyond compliance, we do need to think of how the definition of TBL evolves, and also how as a corporation, how our reporting evolves from TBL to a more holistic approach [Quoted from M3].

Corporations believed that following a TBL format would make them similar or compliant with formats that most other corporations use. Hence they can be in competition with their peers and major multinationals in other industries doing TBL. While TBL guides corporations to have a framework or rigor around non-financial reporting to make sure what areas need to be reported on in terms of achievements in each area and demonstrate compliance, that's about all it does. Figure 3 sums up the answer for this question with a resounding “no” in that TBL was absent as a driver for advancing the area of non-financial reporting. The investment communities wanted TBL reporting and thus TBL became an acceptable framework. However, adding value to business and going beyond the bottom line has forced a lot of corporations to start thinking beyond TBL. A majority of corporations mention the need for a more integrated and holistic approach to non-financial reporting as the “beyond compliance” approach, whereas TBL is more of a scorecard and an economically driven framework.

As seen from the data above, the subject of compliance and stakeholder theory show a linkage. Based on the findings from the data, it's evident that the platform for launching the proactive voices of the stakeholder groups such as social and environmental groups (the institutional movement of regulatory governance) regarding the manner in which corporations conducted their operations and also the way in which they reported their activities, was fulfilled, at least initially, by the TBL framework. Stakeholder groups were also satisfied this level of disclosure and engagement. This showed a compliance driven strategy through TBL reporting. However, the actual level of engagement in terms of trying to make TBL evolve over the years never materialized despite constant desires put forward by the stakeholders, which put the stakeholders at a disadvantage. TBL is a very procedural and linear framework whereby flexibility and room for change is not part of its construction (Sridhar, 2011). While the literature on sustainability, CSR, non-financial reporting evolved, TBL was stuck in principles

that were developed when it was first conceived. While stakeholders wanted more from a non-financial reporting framework, corporations, controlled by a TBL style of reporting simply couldn't afford or understand how to incorporate or revolutionize the framework and hence turned a 'deaf ear' to the external feedback. Instead corporations implemented TBL as it not only functioned as a vehicle to communicate and address stakeholder concerns, but also functioned as a tool through which corporations can be viewed as being transparent and accountable. This in turn shows them as not only intent on maximizing profits but also displaying an image of being socially responsible (the CSR institutional movement). Hence, the morals behind the implementation of TBL had never been questioned initially as the concerns and goals of both corporations and stakeholders were handled through this fashionable framework. However, when the topic of taking non-financial reporting 'beyond compliance' through TBL was expected from stakeholders, corporations were at a loss for words and actions.

The importance of the social dimension in TBL reporting

Table 12 provides the results for the importance of the social dimension for the forty corporations analyzed. Based on the results, all corporations find the social area important but there are two complications within this answer: firstly, ten corporations state that the social area is less important than the environmental area; secondly, most of the corporations choose to report those aspects of the social area that can be measured and ignore the rest. For example, corporations in the transportation industry emphasize the importance of environmental rather than social consequences of their inactions. This view could change if the social area could be measured. An area of further research is to see the thought process that goes into the social accounting and measurement behind corporations' motivation for social reporting.

Table 12: Integration and social measurement of TBL

Company Coding	Q8- Full Integration	Q10- Importance of social area?	Q11-Social net profit/loss?
A1	No	Yes	No; too many assumptions
A2	No	Yes	No
A3	No	Yes	No; not our problem
B1	No	Yes	No; little value
B2	No	Yes	No
C1	No	Yes	No
C2	No	Yes; less than environment	No
C3	No	Not major concern	No
C4	No	Yes	No
E1	No	Yes	No; treat people as people
F1	No	Yes	No
F2	No	Yes	No; not an algorithm
F3	No	Yes	No
H1	No	Yes	No
H2	No	Yes	No; cannot be precise
I1	No	Yes	No
I2	No	Yes	No- not meaningful
I3	No	Yes	No- good for benchmarking but no real purpose
I4	No	Yes; less than environment	No
I5	No	Yes; less than environment	No; little value
I6	No	Yes	No
I7	No	51% environment; 49% social	Dangerous
M1	No	Yes; less than environment	No; should not be financial
M2	No	Yes	No- not useful
M3	No	Yes	No
M4	No	Yes	No; too many assumptions
M5	No	Yes	No
P1	No	Yes	Ludicrous
R1	No	Yes; measure what can be measured	No
R2	No	Yes	No; more of a story
R3	No	Yes	No
R4	No	Yes; measure what can be measured	No
T1	No	Yes	No
T2	No	Yes	No
T3	No	Yes	No
T4	No	Yes	No value for business
T5	No	Yes; less than environment	Unconsciously incompetent
T6	No	Yes	No
T7	No	Only safety; Environment is more important	No idea
U1	No	Yes	No

One of the major weaknesses in TBL is the paucity of systems for measurement, especially in the social area. The social area is more of a story rather than a dimension of hard targets and quantitative data on impacts. Our corporations were asked about its social footprint or social net profit or loss. They all had difficulties in providing answers or even drawing boundaries to determine what to measure and what not to measure.. Questions posed to the interviewees revolved around their ability to calculate a social net profit or loss as that is one of the

foundations of TBL. None of the corporations studied attempted to compute a social net profit/loss. The unanimous answer was that this is an unrealistic and unachievable goal.

That's not something that we do. I see very little value in it to be honest. We can quantify how many dollars go out the door but we can't quantify a lot of the benefits as they are more subjective [Quoted from I5].

A quantitative result is helpful but not drawn back to financial units is important. If we tell a story out of the social area, it is hard to measure improvement. You need to measure in order to quantify any improvement. Hence, you do need quantitative assessment but it should not be financial [Quoted from M1].

It is more difficult. Internally, we have increasing employee engagement by x will give us profit by x. There is disagreement as to which is the best metric. While people can be sent off to events and foundation events, the talent generation, skill improvements etc. are difficult to measure. There's no straightforward or black and white answer [Quoted from T6].

We invest \$20-\$30 million in community and social programs. We do it quite well. The problems we have are the lack of integration. With all the activity going on, it is not well integrated. We want to know how the different activities link up rather than looking at them separately. It is hard to see what the connection is back to the broader social side [Quoted from T1].

A corporation's lack of quantitative capacity to measure its social impacts is a direct consequence of TBL's lack of accounting metrics or integrative guidance. The whole idea of quantifying the social area and drawing it back to the bottom line is difficult. According to the interviewees, it is difficult to quantify a social net profit or loss for the social area. "If you aggregate more, the more detail you lose" [Quoted from T4]. It can be assumed that a metric

that cannot be monetized won't necessarily be of value to the corporation's reporting mechanisms under TBL. Everything cannot be measured in dollars and cents, especially in the social area. *"It shouldn't be looked at as an algorithm. Social is very complex and TBL is not trying to give the outcome that should be given. It is very hard to measure social impact"* [Quoted from M2]. A lot of the social work is done as a way of social thinking and not from a business way of thinking. The payoff may be in a very, very long run and a corporation may not be able to quantify it. It is part of saving the future of the company which they may not be able to measure in dollars. *"If you think of brand and reputation, how do you financially put a number on it"* [Quoted from C4]? Corporations mention the need to make a lot of assumptions in order to try to quantify social data although the values they get in the end are not comparable. Even if they may be comparable to previous year results they may not be comparable to stakeholders' perceptions on social performance as they may have different assumptions. The social issues are so diverse and varied that having one figure at the end of the calculation process may have the danger that some nuances or information is lost on the way. A quantitative result is helpful but managers warn against drawing it back to financial units. If a corporation can tell a story out of the social area, it is hard to measure improvement. One needs to measure in order to quantify any improvement. A certain degree of quantitative assessment is helpful but managers believe that it nonetheless should not be financial. The data provided by corporations in terms of their lack of social measurement skills shows room for improvement in the means for attribution of social benefits to expenditures.

The level of integration within TBL

Integration is a major issue in non-financial reporting. While many corporations have attempted to integrate their financial and non-financial reports, the level of integration within the reports is generally low. The purpose of this question is to find out if TBL has provided a method of integration as it had promised, and how far in the integration journey are these "sustainable" corporations.

We don't have what you would call an integrated accounting framework that brings the TBL together and comes out with some sort of holistic metric that captures all those things. We have financial accounts and we have separate environmental accounting systems. They are more objective and rigorous. The social area is not accounted for properly [Quoted from I5].

TBL is an artificial construction that presents itself as a template for creating sustainability reports but it provides no form of integration. Market events (financial and non-financial) affect lagging indicators like profit and TBL as a framework can capture such data. However, for these corporations at least, it cannot predict interactions between the financial and non-financial areas.

From a philosophical perspective, we view that being a good corporate citizen is a driver of our business. Hence, conceptually, we view it as integrated but in terms of measurement, we are some way off [Quoted from I7].

The challenges include deriving quantitative indicators and consistency in the data. The integration of environmental and social cost accounting is another issue. Corporations spend millions on contributions and sponsorships and while this is integrated into their books in terms of costs, the non-financial information is not integrated into company's accounts in terms of impacts between the three dimensions.

5.5 Discussion

A major part of the analysis of non-financial reporting at the forty corporations revolved around the usage of the TBL framework to serve their desire to be transparent and accountable. There were several key findings in the analysis as to the actual use of the TBL framework in corporations that are highly engaged with the ideals of sustainability.

TBL and its importance

The TBL framework served as a status symbol for many corporations in terms of reporting and engagement with stakeholders. The status of TBL has been scrutinized in this paper, in terms of its fundamental principles and the real motives behind corporate views of this framework. For example, C1 stated that it raised awareness while M5 mentioned it as a good beginning framework. This in turn raised the question then as to whether TBL was simply a metaphor or served as an accounting metric. The findings suggest that it just served as a metaphor as there were no accounting standards or principles from TBL that corporations adhered to strictly. A number of respondents likened their framework to the GRI while others chose to report on issues material to them.

TBL and reputational enhancement

The usage of TBL as a reputational enhancement was one of the focal points of the analysis. To arrive at an answer, the questions of compliance, measurement of tangible benefits, and reasoning behind how corporations intended to use their non-financial reporting processes were raised. Based on the analysis, every company that encountered TBL in some form or another during its reporting journey has moved on from TBL, mainly because it is restrictive as a framework. It restricts thinking to a financial framework and a business case. It does not assist the development of a more global sense of the meaning of business. As a majority of corporations are value driven, the corporations' cultures need to be built around those values. TBL guides corporations to have a framework or rigor around reporting to delineate the areas that need to be reported on to demonstrate compliance. The importance of tangible vs. intangible benefits was then questioned to see if corporations were able to link their non-financial information to the bottom line in some way as that is one of the teachings of TBL. Energy efficiencies and cost reduction were some of the parameters used for environmental reporting, but cost savings were the only tangible outcome that could be recognized. I7 believes TBL to be a tool that helps to engage with stakeholders and allows the company to be perceived as achieving results in all the TBL dimensions, which then results in enhanced reputation. If corporations couldn't get a tangible outcome, then the question of getting ranked on sustainability indexes seemed pertinent as this could be a major driver in improving reputation.

The findings suggest that corporations that do provide reports indicate the importance of getting ranked while corporations that conduct online reporting and who are fairly new to the journey are not concerned with rankings just yet. For example, the Dow Jones Sustainability Index ranks corporations based on their economic, environmental and social data (TBL). It is not a coincidence that corporations ranked on this index report on these three areas as well. This example further strengthens the case for TBL being simply a tool for having indexes recognize the sustainability work done by corporations. This answer raised another question as to how did corporations tailor their reporting processes, whether it was stakeholder focused or it was created to aid in corporate strategy. All the respondents expressed their view that the reporting process is geared towards a combination of stakeholders and business strategy. Corporations that are compliance driven and having to meet external pressures initially adhered to the TBL framework. However, due to the lack of adequate measurement techniques within TBL combined with the desire for corporations to find a tangible outcome from their non-financial reporting, corporations are moving away from the triple bottom line and starting to look at multiple bottom lines.

The findings suggest that managers believe that TBL has boosted the credentials of corporations in areas of disclosure, transparency and accountability. The framework was developed in the early 1990's to fill a gap in reporting that did not seem to acknowledge the environmental and social activities of corporations. The TBL reporting framework has proved to be a major intangible benefit by legitimating corporate activities, improving their reputation for reporting on their non-financial activities; the creation of sustainability indexes embracing TBL style of reporting has further driven corporations to unconsciously accept the power of TBL and its principles. However, based on the interviews conducted at present, corporations are understanding the intricacies of non-financial reporting, and admit to being driven to TBL reporting due to a "prosperity and profits" paradigm while they believe that a "responsibility and profits" paradigm is pushing them away from TBL and more towards a reporting framework that is material to them and more integrated in nature.

TBL as a metaphor

Although a lot of companies are getting third-party assurance on their non-financial reports and information, the substance in their TBL reports is still lacking in many ways such as materiality and comprehensiveness. While TBL has given impetus to corporations to try and report on their environmental and social activities in the same way as they report on their financial activities, the methodology to account for the impacts from the non-financial data has not been justified by the framework. Considering TBL as a metaphor rather than a robust accounting metric makes business sense as it economically justifies the decision making process economically as well as politically, i.e. their decision to accept or reject proposals and policies that allows the organization to continue its licence to operate. All respondents expressed their view that TBL is viewed as nothing more than a metaphor. Its quantification aspect is subjective, rather than objective. It would appear that speaking the language of sustainability by reflecting the metaphorical powers of TBL has been important in improving the organization's reputation.

Integration and social measurement

TBL has replaced one bottom line with three bottom lines thus making it difficult for corporations and management to decide which one gets more attention. Financially minded corporations pay a lot of attention to profit maximization, the ultimate black bottom line. However, the ability to integrate the financial and non-financial information to show impacts that the social, environmental areas can have on the bottom line is still missing in reporting. It is important to be able to tell a story but one of the key motivations and ways to boost non-financial reporting is to show its effects on a company's net profit. This gap in integration led to the question of social measurement. Although corporations have been undertaking social efforts long before the environmental aspect came into place, nobody reported on it. TBL came along and filled this gap with its theory on the importance of social area and measuring it in a meaningful manner. Based on the analysis, corporations mention the importance of the social dimension. However, the general consensus is that while the environmental area is measureable and manageable, the social dimension is more about being seen to exercise a sense of responsibility. I7 believes that integrating sustainability within the business, culturally and

measurably, is a long way off and TBL has done little to advance this. As a framework, TBL has done nothing to advance the subject of social accounting, but rather left managers to create their own measurement tools. No corporations in this study can report a social net profit or loss nor do they want to do so. The TBL framework distorts the answer in that it is meaningful in a sense if it can be reported in dollars and cents.

5.6 Conclusion

The findings in this paper show that TBL has helped corporations begin on a journey towards non-financial reporting, and nothing more. The significance of the findings is important, especially for practitioners. The participants in the interview were curious to know how their peers rated TBL; they would be amazed to know that the consensus is the same across industries and countries. Corporations are beyond TBL and waiting for a framework that functions as best-practice and revolutionizes reporting, especially in measurement and integration.

The lack of integration, the heavy metaphoric powers, and focus on intangible benefits from TBL are the key findings from the interviews. Previous studies done by Norman and Macdonald (2003) and Pava (2004) demonstrate these weaknesses but do not provide any empirical data. This paper has taken their research one step further.

Managers use TBL as a metaphor to define and shape the meaning of sustainability and non-financial reporting. TBL was a framework that encapsulated three areas that were material to stakeholders as well as corporations, and it was a good fit in that sense. The real meaning of TBL as expressed in the motivations behind these corporations reporting efforts has been questioned. The primary motivation expressed by these managers is the maintenance of legitimacy and status. While managers recognise that it helps them manage external relations and provides some satisfaction to some employees, it does not assist strategic thinking. A common limitation of TBL is that it is a generic framework and not industry specific. While TBL set out to be an accounting standard or metric for corporations, it hasn't provided a methodology to function in this manner. The non-financial dimensions are not as sophisticated as the financial dimension and this is a limitation to TBL. Other weaknesses include the lack of

integration and a lack of measurement especially in the social area. Finally, the inability to provide a social net profit or loss (a promise made by TBL) remains a significant disappointment to hopes raised by the initial conception of the TBL. There is scope for further research that could assist these private sector organizations in the area of social impact reporting. This research could be well informed by the reporting of public sector agencies which have a natural need for more developed performance information on social impacts.

Another area for further research is to understand why corporations are struggling to meet the objective of integration. The ideology behind TBL stating “balance rather than interdependence” could be a major factor. These corporations are not yet approaching Dunphy’s later stages of strategic proactivity and the sustaining corporation. Evidence for these stages would see our interviewees as being very clear that sustainability issues fit within strategy and business and it is more about sustainability being completely embedded in business. Reporting should be a reflection of that.

CHAPTER 6 THE RELATIONSHIP BETWEEN THE ADOPTION OF TRIPLE BOTTOM LINE AND ENHANCED CORPORATE REPUTATION AND LEGITIMACY

The fourth article (Chapter 6) has been published in the Corporate Reputation Review Journal. It provides an analysis into the effects of TBL reporting on corporate reporting practices and whether it has an effect on improved reputation and legitimacy. Using semi-structured interviews with forty global corporations, the effects and linkage was investigated through the perspectives of sustainability managers.

The results show that TBL is prevalent in corporate reporting practices due to the notion that TBL functions as a strategic competitive advantage that ultimately boosts the corporate image and identity in the eyes of the stakeholders. Results of the interviews demonstrate that TBL is a social challenge that arms corporations with credibility, and also try to decrease justification costs. While TBL has certainly added to enhancing their reputation and improving the level of trust that their stakeholders have in them, TBL still needs to be improved to function as a truly holistic reporting framework. Corporations reported in the interviews of how TBL is still a reaction to external and internal pressures. Research has shown how regulatory bodies, governments and trade associations drive legitimation (Scott, 1987) but there is no research showing how TBL can function as a driver of legitimation and reputational enhancement, as well as how sustainability/ethical indexes and ratings agencies can aid in legitimating corporations and portray them as being socially responsible. Having a reactive paradigm impedes corporations to truly define, understand and implement sustainable development within the corporate and social arena.

Citation

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The relationship between the adoption of Triple Bottom Line and enhanced corporate reputation and legitimacy

Abstract

Triple bottom line reporting has been a revolutionary non-financial reporting framework that corporations have certainly accepted into their culture. However, the level of tangible results from TBL reporting is still not evident in the literature or even in corporate reports. The research problem upon which this study is conducted is to investigate the effects of Triple bottom line reporting and how it affects the relationship between organizations and its stakeholders, as well as on the reputation of organizations and whether it affects their financial performance. This study has looked at forty organizations and their sustainability reporting processes during the period of 2009-2010 mainly focusing on their TBL adoption. Corporations constantly mention holism as being an essential part of their sustainability initiatives; TBL seems to be still fostering an economically oriented paradigm in corporations rather than pushing the holistic paradigm and this claim needs to be justified through interviews conducted. Finally, the level of reputational enhancement that TBL has given corporations needs to be investigated qualitatively. Are organizations adopting TBL primarily to reduce the battering they might take if they don't portray a sense of being socially and environmentally responsible, or do they see a greater benefit from TBL itself? The methodology is based on qualitative analysis using data from semi-structured interviews with forty sustainability managers of leading corporations (in sustainability). The results from this paper conclude that TBL reporting is a mechanism boosting organizational credentials that input into organizations a cognitive validity, a status boost, and develop their reputation.

Key words

Triple Bottom Line; Reputation; Legitimacy; Corporate social performance; corporate social responsibility; Competitive advantage; Stakeholders; Empirical analysis

6.1 Introduction

Corporations have a moral obligation towards their stakeholders in terms of their environmental and social activities and impacts. Corporations have subscribed increasingly towards the principles of transparency and accountability by disclosing their non-financial performance to the public (Gray, 2002), as the stakeholder groups can collectively influence the financial performance of a corporation through their decisions on providing or withholding key resources. The importance for corporations to maintain their social licence to operate has led to the advent of numerous non-financial reporting frameworks helping them report on their environmental and social activities and potential impacts. The advent of these frameworks has been to not only mitigate risks and bad press, but to also boost reputation and legitimize their operational activities.

Purpose of the paper

The main purpose of this paper is to understand the relationship between the adoption of Triple Bottom Line (TBL) and enhanced corporate reputation and legitimacy. Corporations put out TBL publications on their economic, environmental and social performance but the interpretation by readers can be varying in nature. Firstly a literature review on non-financial reporting has been provided from which the concept of TBL is then introduced. Then the concepts of reputation, legitimacy and competitive advantage are discussed as they are the three concepts used for developing the research propositions. An interviews-based study has then been conducted looking at forty corporations and their TBL reporting processes during the period of 2009-2010 mainly focusing on their TBL adoption, and attempts to answer the following key questions:

- 1) Does TBL function as a competitive advantage for corporations?
- 2) Do corporations use TBL principles to address stakeholder concerns, or to drive and enhance their business strategy?
- 3) Has TBL enhanced corporations' reputations?
- 4) Have corporations used TBL as a justification mechanism to legitimize their actions?

6.2 Literature review

Profit minded corporations are getting used to improving their core capabilities in disclosing their non-financial reporting especially in the environmental and social dimensions, through measuring impacts in these two dimensions. This movement has gained momentum over the past two decades (Adams & Frost, 2008, Suggett & Goodsir, 2002). Corporations have responded by instituting sustainable development programs into their work culture and daily routines to try and manage/account for their impacts. In the same manner that corporations publish their economic results in annual reports, they have started to publish their non-financial information in sustainable development reports, which are used for internal and/or external purposes (e.g. BHP Billiton, Shell etc.). The terminology for these reports tend to vary and can be named sustainability, environmental, corporate citizenship, and corporate social responsibility reports. Daub (2007) talks about different definitions of a sustainability report. In our paper, sustainability report is one that contains financial and non-financial information (qualitative and quantitative) based on their ability to measure their impacts in the economic, environmental and social area, and linking that back to the overall management system. While the disclosures, transparency and accountability in these reports have greatly improved over the years, there is still a fierce debate as to the degree of information that should be disclosed, the structure of the report, its main purpose and audience, and how it can be used to enhance the bottom line (profits) (Kimmitt & Boyd, 2004).

Non-financial reporting has been the focal point in a lot of research done today on reporting. As mentioned in the previous section, a number of academics and consultancy firms have conducted content analysis on sustainability reports recently. Their research has raised numerous questions about the evolution of reporting and its direction into the future. There are a number of reasons that corporations choose to report, which range from motivations to be accountable through to pressures from internal and external sources (Miles et al, 2002). A general non-financial report contains a number of different categories and metrics upon which the content analysis can be based. Based on research in this area, there were commonalities in

terms of what was expected of corporations in their non-financial reporting: The importance of stakeholder dialogue and relations (Adams & González, 2007); The adherence to GRI guidelines as a reporting framework (Ball & Grubnic, 2007); The production of standalone report or an integrated report; The concept of materiality (Gray, 2006); The endorsement from senior management; sixth, the independent verification of reports by third party; a section on corporate governance. At the same time, research shows the gaps in the analysis in terms of not *what* they report on but *why* they choose to report.

Triple Bottom Line

The Triple Bottom line (TBL) reporting is an approach or an expression that encapsulates three important dimensions of business performance: economic, environment and social (Elkington, 1997). Considering TBL to be an accounting framework, i.e. converting environmental and social issues and impacts into financial terms could be possible only if the present accounting frameworks and techniques evolve in a particular manner (Sridhar, 2011a). Having objective measures and analysis to link the increased corporate performance through adoption of TBL is still a work in progress (Norman & MacDonald, 2003). Quantifying a corporation's operating income or expenses is easier than quantifying a corporation's response to stakeholder obligations or pressures. Environmental reporting exists but cannot be benchmarked across industries and companies and is not clearly regulated (Raar, 2002). Social accounting is still a work in progress and is in its infancy (Kolk, 2005). A widely accepted framework that brings all three dimensions in an integrated manner is absent (Sridhar, 2011a). TBL has helped create a shift in corporate thinking, from a unanimous focus on only profits to a concern for environmental and social areas of performance. There is an authentic motivation by corporations to perform better in all three dimensions- the motivation coming largely from the perceptions and values that customers and society in general feel. Creating negative feelings among the stakeholders can have adverse effects on the corporation, in terms of increased costs, reduced market share, tighter regulations, loss to essential resources etc. During this process, corporations could lose part of their client base, trust and loyalty, and also suffer severe damage

to their corporate reputation, legitimacy and image, essentially a decrease in their social capital representing the companies' value to the community as a good employer. Companies like Toyota do not focus on final social outcomes, e.g., what the lack of turnover does for local employment levels and how it boosts the social capital of the community. For the social indicator to be truly effective in its role of minimizing impacts and maximizing benefits through development and mitigation mechanisms, it needs to be simplified, and has to be considered as a process of management change. TBL is seen as a decision algorithm and therefore fails to deal with the process issues.

Reputation

The first theoretical framework to investigate and analyse the data is reputation. Company's reputation is an asset and wealth that gives that company a competitive advantage because this kind of a company will be regarded as a reliable, credible, trustworthy and responsible for employees, customers, shareholders and financial markets (Fombrun, 1996). Reputation is one of the most powerful intangible assets a corporation has and enhancing its visibility through non-financial reporting is a major incentive. Corporate reputational capital was not always considered so essential. However, the rise of global corporations, shareholder scrutiny, tougher regulatory enforcement, increased competition and greater consumer power makes it necessary to manage a company's reputation. Often, no one is in charge of a company's overall reputation or of any of the elements that create and sustain it. When a company loses its reputation in the wake of misdeeds, the result can be a corporate disaster. The dollar value of a good corporate reputation could dominate many balance sheets easily, although it is not often quantified. A good reputation is intangible and fragile, but it is necessary equipment if a company wants to expand in the marketplace of public perception and build better relationships with suppliers and customers. When corporate leaders discuss ethics, they often take a short-sighted approach, using public relations and marketing campaigns to get key audiences to think favourably about their company. A company's reputation is basically a combination of its moral character and the way it does business. Corporate reputation is part of a company's social structure, which it can

enhance as its people come in contact with different social constituencies. Corporations with a surplus of good reputation tend to be better governed.

Corporate reputation can be defined as “a global perception of the extent to which a corporation is held in high esteem or regard” (Weiss et al., 1999, p. 75). Reputation is the aggregation of information “into collective judgments that crystallize into reputational orderings of firms in corporate fields” (Fombrun and Shanley, 1990, p. 234). Corporations will have differing reputations with various stakeholder groups based on different aspects of their activities (Bromley, 2000); however, stakeholders provide a net assessment of a corporation’s reputation, i.e. while stakeholders may have varying views about the reputation of a corporation, “they are nevertheless an overall, affective impression” (Hutton et al., 2001, p. 257). Stakeholders have different evaluation criteria to evaluate a corporation’s reputation and this differs based on the expectations stakeholders have of what role a corporation must undertake. For example, demanding quality products, high return on investments, better sustainability practices are but some of the criteria. Corporate reputation plays an important role in determining the image and identity of the corporation.

Corporate Image

The immediate mental picture that audiences have when hearing about a corporation is their perception of the corporate image of that particular corporation (Riel, 1995; Fombrun, 1996). The view of corporations in the eyes of external and internal stakeholders shapes the corporate image. While the corporate image, to a certain extent is shaped by the corporations, it is also tremendously impacted by how others such as consumers, non-governmental organisations, governments etc. While corporate reputation requires a consistent level of performance over the long run, corporate image can be improved through various levels of communication strategies over the short-medium term (Olins, 1989; Kennedy, 1977). Corporations tend to mould their image through sustainability reporting by garnering recognition from ethical indexes like the Dow Jones Sustainability Index (DJSI) to boost their credentials as a socially responsible citizen. This recognition is achieved through TBL reporting. TBL plays a major role in

enhancing the corporate image since despite its weaknesses; it helps improve the communication between corporations and their stakeholders creating greater levels of engagement thus convincing stakeholders like the social and environmental groups that corporations are on the right path towards sustainability which in turn improves their corporate image. Recognition by the DJSI confirms this notion at the end. Another manner in which corporations shape their image is through responding to the concerns of their stakeholders which can be normative or instrumental in nature.

Normative vs. Instrumental concerns of stakeholders

Donaldson & Preston (1995) have developed a framework to address corporate responses to stakeholders driven by normative or instrumental motivations whereby the instrumental responses are driven by accomplishing personal goals, while normative responses are driven by an understanding that stakeholders have interests that are intrinsic in nature, i.e., “each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group” (Donaldson and Preston, 1995, p. 67). An example of instrumental motivation is when consumers may stop buying a corporation’s product due to a decrease in quality or a hike in price. An example of normative motivation is when consumers stop purchasing a corporation’s product due to their awareness of the corporation hiring child labour. Corporations need to link both normative and instrumental concerns of stakeholders when providing a collective response. Due to the complexity in issues considered by stakeholders (normative and instrumental), the resource allocation will more than likely be decided based on a holistic collection of information.

Corporate Identity

The corporate identity of a corporation is reflected through the current state of the corporation and its differentiating factor from the rest of the pack (Gray & Smeltzer, 1985; Perkins, 1995). The three major parts that shape the corporate identity are the strategy, philosophy and culture and the organizational design (Balmer, 2001; Dowling, 2001). In this paper, the corporate culture is the focal point of the research, as non-financial reporting and sustainability are topics

and initiatives that corporations implement to not only influence their external stakeholders but also their internal stakeholders. Corporate culture is defined by what the employees believe to be important and unimportant in terms of corporate behaviour and actions. Corporations that undertake non-financial reporting, such as TBL reporting, reflect the philosophy of senior management that sustainability and corporate social responsibility are important ingredients to attracting and retaining their employees as they see the growing recognition by their employees for these topics. The results further reiterate this notion.

TBL's impact on corporate reputation

Environmental and social impacts that are materially important to corporations need to be factored into the decision making process through TBL reporting, as ignoring them could lead to potential liabilities. However, these liabilities are contingent in nature: it arises only if the society or governments recognize the liability and act against the corporation in question. From a reputational perspective, TBL reporting has been adopted to not only repel critics against the lack of non-financial reporting, but also to improve corporate image and identity (Gibson, 2006; Hacking & Guthrie, 2008). However, in order for corporations to showcase an 'honest' reputation of being socially responsible, they need to not be reactive to regulations and pressures from stakeholders (current state of TBL reporting), but should be proactive in their TBL efforts (Bryan and Smith, 2005; Smith et al., 2004). A lack of proactivity may force stakeholders to work with other stakeholders to hold back important resources or take counter action against the corporation.

Legitimacy

The second theoretical framework to investigate and analyse the data is legitimacy. Legitimacy is an important concept when talking about reputation as corporations can enhance reputation by legitimizing their activities, especially those that are viewed as detrimental by their stakeholders. In the academic literature, there are two types of legitimacy: "sociopolitical legitimacy and cognitive legitimacy" (Hannan and Carroll, 1992). Governmental corporations, legal bodies and other corporations that have significant power are the drivers of socio-political

legitimacy. Zucker (1986) defines cognitive legitimacy as the assumption of how a corporation is appropriate, responsible and good within an accepted system of norms and values. The literature on legitimacy highlights a linkage between corporations adopting non-financial reporting practices and their credibility (Pfeffer and Salancik, 1978), and highlights the fact that corporations tend to garner a higher degree of legitimacy when their operations and functions comply with institutionalized rules and use language (such as TBL) that are accepted by the external environment.

TBL's impact on corporate legitimacy

TBL has used socio-political as well as cognitive legitimacy to position itself into corporate decision-making processes and has indirectly legitimated corporations favouring this framework (Hubbard, 2009). However, as corporations have garnered more support and acceptance from stakeholders through adopting TBL, stakeholders in turn have expected corporations to continuously improve on their reporting practices. Unfortunately, TBL has not evolved into a robust and objective accounting framework and as shown in the data; corporations have started thinking beyond TBL to continue maintaining and improving their reputation and legitimacy in the eyes of their stakeholders.

Competitive advantage- a strategic tool

The third theoretical framework to investigate and analyse the data is competitive advantage. Corporations previously focused on improving their operational effectiveness giving them a temporary competitive advantage followed by a short-term increase in profits. However, this is a short-term benefit; competitors can easily imitate material and technological improvements. This shows that 'physical assets' can easily lose strategic value and become obsolete (Michalisin et al., 1997, 2000). This is not true for 'strategic/intangible assets.' In the business environment, a strategic tool is one that can be rare, valuable, non-substitutable and imperfectly imitable, simultaneously (Michalisin et al., 2000). According to Quinn & Norton (2004) a corporation that is ranked in the country's top 100 companies to work for indicates the corporation having strategic assets that are highly valued. The corporate behaviors, values and

principles are the pillars upon which a corporation is built, and if these values are powerful and incorporate the wellbeing of the community, the stakeholders' perceptions of the corporation would be positive and have a greater sense of corporate trustworthiness rather than if the corporate culture was missing socially responsible attributes.

TBL as a competitive advantage

TBL reporting can be considered as a strategic tool for a few reasons. Firstly, corporations can display non-financial reporting practices by adopting TBL and addressing the needs of the environment, of their employees, or 'appearing' to apply integration of the corporation with the external community (Morland, 2006). Secondly, TBL can lead corporations to gaining a competitive advantage as implementing TBL within a corporation requires internal staff to carry out numerous and different activities simultaneously (Black and Hartel, 2004; Hout, 1999). Thirdly, a corporation can garner the trust and acceptance of customers and stakeholders through incorporating TBL into its corporate culture (Sridhar, 2011a). Corporate trustworthiness is a competitive advantage for corporations and gaining the trust of their customers and stakeholders would be in their best interest. Stakeholders want to see corporations emanate goodwill towards their employees, customers and communities (Alsop, 2004; Smith and Lias, 2005). Fourthly, TBL allows corporations to collect information about present and possible environmental and social problems, involve their stakeholders and managing their expectations, incorporating decision-making process into strategic planning, and having an ethical corporate behaviour (Hamel & Prahalad, 1994). Porter (2001a, b) has shown in his research that this type of a long-term non-financial reporting activity can give corporations a sustainable competitive advantage, as it's hard for competitors to imitate a number of activities rather than a single activity. TBL involves mixing activities that requires stakeholders (internal and external) to the corporation. The ability of a corporation to fit external stakeholders effectively into its internal business processes provides more complexity to their strategic fit. This makes the corporation have a competitive advantage.

Evidence shows that corporations that embrace TBL have a higher level of financial performance compared to corporations that don't (Berger, Cunningham & Drumwright, 2007; Castka et al., 2004; Esty & Winston, 2006; King, 2009; Savitz & Weber, 2006). This is evident in corporations that are listed on the Dow Jones Sustainability Index. In the FTSE 350, ten of the most financially sound corporations had implemented TBL reporting (Cumming et al., 2005) into their strategic intent and objectives. The major competitive advantage corporations gain from adopting TBL is reputation and legitimacy (intangible assets) (Kaplan & Norton, 2004) and difficult to imitate. The impacts of having a positive public appearance can lead to higher revenue, greater degree of employee satisfaction etc. TBL benefits mutates into a continuous competitive advantage. These claims will be investigated further in the findings section.

6.3 Propositions

Based on the literature on competitive advantage and TBL being a strategic tool to corporations, four propositions have been given below:

- 1) TBL has functioned as a strategic asset for enhancing the non-financial reporting practices of corporations.*
- 2) The strategic intent behind adopting TBL reporting for corporations is to drive their business strategy along with addressing stakeholder concerns and pressures.*
- 3) The implementation and promotion of TBL thinking into corporate strategy has functioned as a competitive advantage for corporations in terms of boosting their reputation through improving their corporate image, corporate identity and addressing stakeholder's instrumental and normative concerns.*
- 4) Corporations use TBL as a framework to legitimize their financial and non-financial actions and impacts.*

Through the interviews conducted with the forty corporations, the propositions will be put forth to the interviewees and their answers will provide a clearer picture of whether TBL is indeed a powerful strategic tool, as well as understanding the main driver behind adopting a TBL

framework. Finally, TBL's function as a reputation and legitimating tool will be determined through interviewees' views on its impact on their non-financial reporting processes as well as the impact it has had on the overall value and image of the corporation.

6.4 Methodology

This study was conducted over a period of nine months, during which interviews were conducted across forty corporations around the world that were considered to be following best practices in non-financial reporting. The key interviewees were managers and heads of the sustainability departments within the corporation. Forty reports from Australia, Europe and U.S.A have been analysed. Firstly, by looking at different sustainability indexes and projects like the Dow Jones Sustainability Index and The Carbon Disclosure Project, it was possible to identify a group of corporations who were considered to follow better non-financial reporting practices by various ethical indexes. For example, the criteria used to rank corporations on the DJSI are based on TBL performance. Narrowing down and selecting corporations who were ranked on ethical indexes based on their practice and performance of TBL reporting in the past and/or present was the main justification in the selection process of the corporations in the selection. The group of forty corporations is shown in Table 13:

Table 13: Selection of forty corporations

ORGANIZATIONS	INDUSTRY
A1	Auto Manufacturers
A2	Auto Manufacturers
A3	Auto Manufacturers
B1	Beverages
B2	Beverages
C1	Building and construction materials
C2	Commercial and Professional Services
C3	Commercial Services & Supplies
C4	Consulting
E1	Energy
F1	Financials
F2	Financials
F3	Financials
H1	Healthcare
H2	Healthcare
I1	Industrials
I2	Information Technology
I3	Information Technology
I4	Information Technology
I5	Insurance
I6	Insurance
I7	Investment Banking
M1	Materials
M2	Materials
M3	Materials
M4	Materials
M5	Media
P1	Print Services
R1	Real Estate
R2	Real Estate
R3	Real Estate
R4	Retail
T1	Telecommunications
T2	Tourism
T3	Transport & Logistics
T4	Transport & Logistics
T5	Transportation
T6	Transportation
T7	Transportation infrastructure
U1	Utilities

The corporations selected in the selection have signed the agreement for interviews as long as the corporation's name and the interviewee's name are kept confidential from the paper. A company code has been assigned to individual corporations. As shown in Table 13, the annotation for each corporation corresponds to the industry that they are in. The corporation that

is in the Utilities industry is coded as 'U1' while a corporation in the Financials industry is coded as 'F1.'

The first task was to unearth the important aspects of TBL within the frameworks of reputation, legitimacy and competitive advantage, which are elements within TBL that pose a great deal of relevance to the managers and corporations for them to adopt such a framework. In order to discover the areas of TBL that the interviewees considered relevant and related to the frameworks in this paper, I broke down the data collection approach into a few stages. Firstly, I familiarized myself with the sustainability reports and reporting processes of the forty corporations. Since I was concerned with the interpretations of the interviewees towards TBL, the observations were pertinent to be carried out prior to the interviews, as it was the observations, which led to the questions and topics for discussion with the managers. After the first few months of observations and data analysis, the reports and processes were analyzed to discover domains of objects, events and actions into which the managers/corporations seemed to segment TBL.

All interviews were transcribed immediately. As the interview data grew in size, having a lengthy interview was the main strategy for data collection while observation was less important. The strategy was to introduce the topic of TBL and then encourage the manager to talk for as long as possible by asking for elaboration of certain points that the interviewee might state during the course of the interview. Since the interviewee directed the flow of the interviews in a manner of speaking, I minimized my own conceptions on structuring the interview partially to capture the manager's interpretations as these interpretations organized the manager's accounts of his views on TBL. The question frames led to data for each domain. Based on Glaser and Strauss' (1967) concept of saturation, a domain was considered to be completely exhausted when after multiple interviews there was a lack of new information from managers that could be included within the category. Finally, using NVIVO software, the data was analyzed using coding structures linked to reputation, legitimacy, and competitive advantage being the major domains for analysis.

Limitations

The TBL reporting processes tend to be conducted and developed by a sustainability team within a corporation, rather than by just an individual. The interviews conducted in this research paper are with the Head of the sustainability departments at each corporation and this is a potential limitation in terms of understanding the overall nature of TBL. For this paper, the research is conducted through the lens of an individual as he/she speaks for the whole team and this leads to a single respondent bias. An area for future research is to conduct interviews with each member of the sustainability team within the corporation in order to get a broader, more definitive understanding of TBL's role as a competitive advantage. Below are the findings and the data analysis of the interviews and its reflection of the literature. ¹

6.5 Findings

Competitive advantage- TBL as a strategic framework

Corporations were asked questions on TBL in terms of its functions as a competitive advantage for them, and whether there were areas for improvement within the framework. Common themes that were pulled out from the data, with linkage to the literature survey done in this paper regarding competitive advantage were: culture of the corporation in terms of TBL allowing them to carry out multiple activities; advertisement of their TBL efforts; and corporate trustworthiness. Below are some of the data attached to each common theme:

Competitive advantage- carrying out multiple activities

Firstly, corporations mentioned their increased capacity to interact with internal and external stakeholders simultaneously using TBL as a catalyst for the dialogue that motivates employees and people who are profit oriented. Understanding the economic, environmental and social issues with the external stakeholders and in turn, analyzing and interpreting the data internally to improve corporate performance was seen as a competitive advantage from TBL reporting.

¹ There was a consensus in the responses from interviewees regarding their overall views on TBL as a competitive advantage; its weaknesses; its driver as an engagement tool with stakeholders and driving business strategy; and its application as a reputation and legitimacy tool. This consensus might vary if the author introduced the GRI or other advanced frameworks.

From an economic point of view, managing sustainability in the company is important. It's easy for operational managers in the business to not believe in the "green" initiative like TBL unless there is a financial outcome or benefit for the company. They perceive more as a cost for the company. From an economic point of view, any sustainability initiative we make must have an economic driver. From an ecological point of view, we don't want to do any harm. Also if there is a threat to business by not doing it, we want to take it into account. We also want to look after our communities, staff etc. [Quoted from T5].

The ability for TBL to allow corporations to develop a culture of carrying out multiple activities requires a fundamental change in their values and principles as well. Most companies take a pragmatic approach recognizing that there is only a single bottom line and that there are many elements of business that contribute to significance of the business to their net profit. TBL is certainly a metaphor for understanding that the social and environmental areas are important ingredients that contribute to company's success (Sridhar, 2011a). However, companies have only one bottom line, which is the company's success. It ultimately gets down to companies' licence to operate. If they don't perform well with the TBL or embark profitably, they won't have investors. At the end of the day, the TBL reporting is backing up their assertion to have a licence to operate.

The interview excerpts provided above is a good starting point for the exploration on TBL's added value to corporations. The above corporations wanted to drive their bottom line but in spite of not being able to trace an economic tangible benefit from their non-financial activities, TBL has worked as a framework for allowing corporations to engage in multiple activities, covering all their areas of potential threats and opportunities, and having a more strategic outlook rather than a narrow single minded outlook.

Advertisement- reputational enhancement

While we talk more about how reputation is a byproduct of TBL, the findings here show how it works as a competitive advantage for corporations. The corporations interviewed were at a loss for words when asked if they could see a bottom line enhancement through their TBL efforts. However, unanimously, corporations pointed to reputation being a key reason for undertaking TBL as their favored non-financial reporting framework.

Get the conversation started with stakeholders. Rather than seeing as an endpoint in time, we see it as a starting point for stakeholder discussion. It assists us in managing our business. Employees like working for us, attracts them and customers. We get things right with our customers; drive value to our customer base [Quoted from F2].

Corporations generally struggled to see the impact on shareholder value from TBL reporting. In terms of intangible benefit, they are able to engage with the community and institutional investors in a more holistic manner but that's about as far as they can see. Based on the examples above, TBL not only initiates the dialogue, but also attracts employees to the corporation, which is an intangible enhancement that cannot be measured. Attracting customers and employees is a valuable, rare, non-substitutable and inimitable resource (reputation) that cannot be foregone simply due to the lack of tangible measures by TBL.

Competitive advantage- Ranking mechanism

Getting ranked on sustainability indexes is also a competitive advantage that corporations can relate back to TBL. If we take the Dow Jones Sustainability Index (DJSI), its ranking criteria are based on the economic, environmental and social (TBL) performance of corporations.

Recognition for our corporate citizenship efforts, such as DJSI has recognized our efforts as we have doubled our score in the last 3 years. The levels of awareness and focus has increased on staff on the corporate citizenship issues [Quoted from T1].

Corporations interviewed in our selection were almost coerced to adopt the three legs of TBL for their non-financial reporting just for the sake of adhering to index procedures and hoping to get ranked, leading to a reputation enhancement.

It's very important, as it is an external validation of what we are doing. Last year our report was externally assured so there was that credibility. Having that external recognition like DJSI and FTSE is important for us. If we see a strategic value to be ranked, then it's good for us to do it [Quoted from M1].

Ranking, attracting better talent, retaining and attracting customers are some of the competitive advantages corporations see from advertising their TBL reporting and enhancing their reputation in the process.

Competitive advantage- Corporate trustworthiness

Increasing customer trust in corporations is an integral part of TBL reporting. Corporate scandals have increased the awareness of stakeholders to various issues, and the need for disclosures by corporations is rising. TBL developed at a crucial juncture when corporations were desperate for a framework that would reduce the negative perceptions of stakeholders and increase their faith and goodwill in the corporations and their activities. Below are some examples of corporations imploring TBL as a building block for gaining the trust of external and internal stakeholders, and also how that can serve as a competitive advantage.

It's about that goodwill and trust you would with stakeholders. If they have more confidence in our sustainability reporting or TBL reporting, it takes us the extra mile with them, like customer perspective. They see that we are not a bad company to be with when they sign up for insurance [Quoted from I6].

From the data and examples given above, garnering the trust of stakeholders is important for corporations to stay in business. Enhancing trust from the stakeholders allows the corporations

to build their reputations and improve their bottom line. TBL has facilitated this process effectively through embedding the principles of accountability and transparency across the social and environmental dimensions of reporting. However, having mentioned attributes of TBL that can function as a competitive advantage for corporations, there are also limitations in this framework that has forced corporations to start thinking beyond TBL and developing more holistic approaches to non-financial reporting.

Competitive advantage- Stakeholder focus vs. Business Strategy

The next area for investigation is whether corporations adopt TBL to drive their business strategy or whether it is to address stakeholder concerns. While TBL does demonstrate a fair amount of competitive advantages for corporations, its lack of tangibility or proactivity raises the question as to whether it's a motivation to satisfy stakeholder needs that corporations adopt TBL and nothing more. The interview answer below sums up this area quite well.

It's just a question of the fact that most of our stakeholders, whether they are customers, government, community, they want to see businesses taking a broader perspective of how they engage with society and not one where we sit separate with our financial accountants and all we worry about is our profitability and that's the be all and end all of it. Stakeholders want to see that companies engage with stakeholders and how they are mindful of their environmental impact [Quoted from I5].

While only one interview excerpt is provided, each of the forty corporations believed in taking a combination approach with TBL that addressed stakeholder needs as well as driving business strategy.

Public responsibility

Within this broad area, a desire to show a greater sense of public responsibility was found to be one of the key themes and the data below shows how corporations adopt TBL in order to satisfy these themes.

It helps us in terms of our position with clients. We are a subcontracting business so we can show our business that we are sustainable and innovative with our products. We also show our employees that we take it seriously. So basically we demonstrate to our broader stakeholders our seriousness and ask people to give feedback and engage with us [Quoted from H2].

TBL serves as a metaphoric tool to engage stakeholders and assists corporations in ensuring that they are perceived in all their dimensions of what they do as a corporation, which then results in increased reputation, which is assigned to them by our diverse stakeholders. At the moment, because the costs of social and environmental impacts are intangible, TBL is seen as a way to engage with stakeholders externally as well as driving awareness within the business. TBL has improved the concept of engagement for corporations and placed it in a whole new level. Previously, corporations viewed engagement as a one-way communication vehicle, but now engage with their stakeholders as well as receive feedback on their operations.

TBL's weaknesses (lack of competitive advantage)

Reactive, not proactive

TBL, according to the corporations interviewed, worked as a reactive approach to regulation, legislation and stakeholder pressures. Below are some examples of how TBL functions as a reactive framework rather than a proactive framework.

The reason for us adopting TBL was driven by the recognition that we needed to monitor and manage our non-financials just as well as our financial reporting if we wanted to remain a leading company in the 21st century. However, TBL was simply a reaction to external pressures and nothing more [Quoted from M4].

The challenge is to develop a system that can provide quantitative results that are meaningful against the TBL. As a metaphor, TBL is useful. The non-financial dimensions are not on the same level of tangibility and measurability as the financial dimension and this is a limitation to TBL. A more holistic framework that improves measurability, integration and relationships with stakeholders is required [Quoted from C3].

It's a compliance process with TBL. When corporations started TBL reporting, the TBL report was seen as a one off document to address lot of stakeholder inquiries, requests. They populated a lot of information in one place to please lots of stakeholders. Today corporations see non-financial reporting as a holistic process that requires more integration among the three dimensions of TBL, and not simply putting out a report. A proactive approach is something that corporations are pursuing in terms of more tangible metrics, a higher level of integration between the three dimensions of TBL, and even branching out into measuring areas that might be material to their stakeholders but not particularly covered by TBL.

Focus on operational effectiveness

Another limitation within the TBL framework is the short-term focus, which resounds with a reactive approach, through focusing on operational effectiveness and ways to drive the financial bottom line rather than taking a more holistic and proactive approach to dealing with the environmental and social issues that stakeholders value and incorporate that into a long-term strategic focus. The examples below back up the views mentioned above.

It ultimately gets down to our licence to operate. If we did not do well with the TBL or embark profitably, we won't have investors. At the end of the day, the TBL reporting is backing up our assertion to have a licence to operate. In reactions with shareholders and consultants, TBL reporting was gaining momentum and something companies had

to do to remain on the screen of institutional investors. Investors into our company had to tick a box to invest in us [Quoted from E1].

TBL allows corporations to put business costs back to social responsibility issues such as environment or community services etc. The importance of TBL is about bringing home the benefits and costs to business in conducting non-financial actions within the business. There are issues about TBL in terms of what the motivations are because to present a corporation as one with TBL reporting is saying to its stakeholders that they care about making a profit obviously but they also care about the environment and the society. However, if the TBL becomes a framework for maximizing commercial returns from social engagement and environmental responsibility, it becomes a dishonest activity for a corporation that's just thinking of ways to maximize profits. There's an element of dishonesty if a corporation presents a certain image and ultimately is only driven by profit maximization. The extent that TBL becomes an exercise in profit maximization of corporate activities in areas that are meant to be motivated by altruism and that it tries to create a system that measures the net financial outcomes of being environmentally or socially responsible is problematic if a company starts looking at the objective of how they make a loss from charitable donations, for example. Focusing on operational effectiveness is not a bad strategy but the point being driven here is that TBL, a framework designed to make corporations think beyond the bottom line, fails to make corporations think beyond operational efficiencies.

Reputation

While reputation has functioned as a competitive advantage for TBL reporting to corporations, TBL can also be adopted to reduce negative impacts and perceptions of stakeholders on the reputation of a corporation. Key themes identified in this area linking reputation and TBL are: past behaviors and future expectations; corporate image; and corporate identity.

Reputation- Enhanced corporate image

A corporation won't pursue a strategy that cannot provide tangible benefits unless there is a benefit of some kind. Improving corporate image is extremely hard, especially when corporations have been hit hard with a negative issue that has been made public. Reporting on various issues publicly in a format that is user friendly and accepted (TBL) gives the corporations an opportunity at redemption and also further boost to the brand. Below are a couple of examples of how TBL has improved corporate image:

It's very important, as it is an external validation of what we are doing. TBL has allowed us to minimize negative publicity from some of the unsustainable practices in our past [Quoted from R1].

Corporations believe in minimizing risks and bad publicity. Certifications, disclosures are a few examples of how corporations have reduced negative perceptions of stakeholders. TBL has served this purpose as well as put the corporations in a light of sanctity that previously seemed impossible for corporations that operated in an unsustainable manner.

TBL as an answer to stakeholder concerns- normative vs. instrumental concerns

Normative concerns

The normative concerns of stakeholders are a major driver for the acceptance of TBL as a reporting framework, according to the corporations interviewed. One stakeholder group might avoid a particular corporation if that group believes the corporation has harmed or acted irresponsibly with another stakeholder group. Below are some examples from the data:

When we share our stories through TBL reporting, stakeholders can check through third party assurers and know what we are all about. Are we doing what we say we are doing? They can see that third party assurance. It will then improve our corporate reputation [Quoted from A2].

We are complying with the increasing demands of investors to have a tick the box system for sustainability. A lot of the investors are happy to see that we have a sustainability report and don't care about the minute details [Quoted from I1].

As shown in the examples above, the linkage between stakeholders and institutional investors, third party assurers and probably more stakeholder groups are important for corporations to manage and they use TBL as a tool to manage these relationships.

Instrumental concerns

The instrumental concerns from stakeholders are more personal in nature. The data below shows how stakeholders, especially customers tend to determine their purchasing decisions based on how corporations portray themselves in terms of their non-financial behaviors.

There is a growing trend among consumers to know not only the quality of product but also the quality of the company they buy it from [Quoted from A3].

Building goodwill and trust with stakeholders is an integral driver for TBL reporting. If stakeholders have more confidence in corporations' sustainability reporting or TBL reporting, it takes corporations the extra mile with their stakeholders, such as from a customer perspective. Instrumental and normative concerns play a major role in determining whether corporations will develop a strategy that is more stakeholders driven or driven by corporate strategy. At present, corporations are combining both views towards their TBL approach. Unfortunately, the data shows that corporations are unable to manage the "corporate strategy" portion through TBL and are exploring different approaches to reporting.

Corporate identity: internal stakeholders

Corporate identity focuses more in the internal stakeholders and the values they hold within the corporation.

We show our employees that we take it seriously. So basically we demonstrate to our broader stakeholders our seriousness and ask people to give feedback and engage with us [Quoted from T7].

TBL has certainly enhanced the corporate image to external stakeholders and the identity for internal stakeholders, which further shows the strong linkage between TBL and corporate reputation. The dollar value of a good corporate reputation could dominate many balance sheets easily, although it is not often quantified. A good reputation is intangible and fragile, but it is a necessity if a corporation wants to expand in the marketplace of public perception and build better relationships with suppliers and customers. When corporate leaders discuss ethics, they often take a shortsighted approach, using public relations and marketing campaigns to get key audiences to think favorably about their company. A company's reputation is basically a combination of its moral character and the way it does business. Corporate reputation is part of a company's social structure, which it can enhance as its people come in contact with different social constituencies. External stakeholders view corporations that do TBL reporting as a responsible corporation. Employees prefer corporations that take the subject of non-financial reporting seriously and provide their skills to the corporation. These different ingredients contribute to the corporation's ultimate success.

Legitimacy

Justifying TBL reporting is a legitimating process that has required the help of regulations as well as through institutionalized norms and values. Sociopolitical legitimacy and cognitive legitimacy are discussed below along with some examples from the data, to show how corporations have unconsciously institutionalized TBL into adoption.

Socio-political legitimacy

The examples given below depict how corporations succumbed to external pressures and had to implement some form of non-financial reporting to satisfy the informal regulations put forth by stakeholder groups. In addition, a certain level of environmental mandates exists today and the second example shows the importance of how regulation drove their adoption of TBL reporting.

In our reporting, we came to a point three years ago when we published our first report that we felt pressure from our stakeholders and we had to recognize a trend within the industry and business as a whole that reporting make more important especially on non-financial indicators and disclose information. I agree that TBL pushed us towards compliance and that's it. Sustainability reporting is mainly compliance and stakeholder driven as we had pressures from institutional investors. It's not about saving mother earth but investors want to know about it [Quoted from T2].

While non-financial reporting is voluntary to a certain extent and TBL is certainly not enforced as the benchmark form of reporting, corporations adopted it due to regulations, fear of garnering negative publicity, and a hit on their legitimacy if they were not transparent or accountable to their stakeholders.

Cognitive legitimacy

Institutional norms like transparency, accountability have certainly given birth to TBL, which has in turn become a norm through cognitive legitimacy among corporations and stakeholders.

Below are some examples to show this point:

Disclosure and transparency is good practice and undertaking that for CR for business is a natural party of the course for us [Quoted from C4].

Transparency, inclusiveness, trying to the extent we can to put consistent reporting around our group, timeliness, trying and also giving comparisons to past years, so that

people can judge progress, try and cover range of issues that people would be interested in hearing about [Quoted from R2].

Within a system of acceptable albeit voluntary norms and values such as transparency and accountability, corporations are deemed to be responsible and credible for putting out their non-financial information in a TBL reporting format and this in turn has also built their legitimacy.

6.6 Discussion

Four propositions were laid out at the beginning of this paper, and the findings have tested each proposition in depth using a number of different questions. The findings suggest that TBL certification is a social challenge that arms corporations with cognitive validity, decrease justification costs, provide credibility and increases their survival. The findings also suggest that an increase in reputation and legitimacy are the two main benefits of TBL for corporations, through which it functions as a competitive advantage. By embedding itself in corporate culture, it has helped corporations develop the ability to carry out multiple activities thus nurturing their TBL reporting capabilities into a strategic framework. While TBL has certainly added to enhancing their reputation and improving the level of trust that their stakeholders have in them, TBL still needs to be improved to function as a truly holistic reporting framework (Robins, 2006; Sridhar, 2011a). Corporations unanimously reported in the interviews of how TBL is still a reaction to external and internal pressures. I1 states that internal stakeholders will feel a greater sense of belonging with the corporation if it addresses issues around corporate citizenship and CSR. TBL has been one such tool in helping them address the issues. Research has shown how regulatory bodies, governments and trade associations drive legitimation (Scott, 1987) but there is no research showing how TBL can function as a driver of legitimation and reputational enhancement, as well as how ranking indexes and ratings corporations can aid in legitimating corporations and portray them as being socially responsible. Having a reactive paradigm impedes corporations to truly define, understand and implement sustainable development within the corporate and social arena.

Secondly, corporations have improved their relationships with stakeholders through TBL reporting. However, a tighter relationship with stakeholders is necessary if a corporation wants to truly commit itself to non-financial reporting. The relationship should mirror a partnership in terms of information gathering and communication, placing stakeholders should be on a level ground with the corporations (Black & Hartel, 2004; Waddock, 2004). At present, the relationship between corporations and their stakeholders is linked to the relationship between TBL and the financial performance of a corporation as well as its reputation (Archel, Fernandez & Larringa, 2008). The desire to alter their own reputation requires corporations to watch and manage their reputations, as corporations must first understand their reputation before trying to influence it. Corporations will not only try to enhance their reputation if they are dissatisfied with the current level, but also try and sustain or further enhance it if they currently have a good reputation. Corporations can affect stakeholder perceptions of how successfully they have achieved those expectations through adopting TBL, which is a reputation building activity and a communication medium, ensuring that the corporation's values and behaviours have been relayed to its reputation through its TBL reporting. TBL functions as a vehicle for the communication channel between corporations and addressing stakeholder expectations as well as driving business strategy.

A lot of the respondents' corporations have improved their reputation and attempted to legitimize their activities by using TBL; reputation is improved by addressing the normative and instrumental concerns of stakeholders; legitimacy is established through socio-political and cognitive means. R1 minimizes its external risk by adopting TBL. Rather than garnering bad press for doing nothing, R1 uses TBL as an avenue to combat external pressures and risks. As mentioned in the second proposition, corporations conduct TBL reporting to address stakeholder concerns, in addition to driving their business strategy. TBL has filled a gap where stakeholders were left waiting in terms of knowing the non-financial activities and impacts of corporations. While TBL cannot provide an integrated view of the three dimensions (just one of many limitations), it has addressed the instrumental concern of stakeholders regarding their knowledge on environmental and social degradation, as well as their normative concerns

regarding the subject of ethics and accountability for unsustainable actions. In terms of legitimacy, a certain level of regulations, government interference, stakeholder pressures, and bad press have all made corporations adopt TBL, making the framework a legitimizing tool. T2 mentions that TBL has functioned as a vehicle for them to maintain their licence to operate and satisfy institutional investors. As corporations legitimate their reporting practices and gain a competitive advantage, their success may spark other corporations that are battling for a strong position to adopt these successful practices and recreate the framework for non-financial reporting in today's industrial world.

6.7 Conclusion

The findings from this paper have provided important insights into the nature and importance of corporate reputation and legitimacy for corporations that conduct TBL reporting. The findings from the interviews support the conceptual model of linking TBL and reputation as well as guiding the research propositions. In particular, the interviewees identified corporate culture, image, identity, stakeholder concerns, legitimacy, and competitive advantages as being the major drivers for TBL reporting. However, the findings also reiterate weaknesses within the TBL framework identified in the literature. Being stuck with an outdated approach like TBL has made corporations aware that despite embracing corporate social responsibility and non-financial reporting practices, their overall impacts on the environment and society is still not drastically improved. The fundamental question is this paper is: "In the perceptions of the respondents does TBL reporting enhance corporate legitimacy and reputation?" While reputation and legitimacy has certainly improved through TBL initially, the legitimacy of corporations in terms of their non-financial reporting practices today is diminishing which leads to policies and agendas that could affect the economy and competitive growth. Corporations, using TBL, view value creation in a narrow, three-dimensional manner, missing out on the broader scope that determines their long-term success and focusing more on short-term financial performance. TBL has separated corporations and society. It is the duty of the corporations to renew the ties in a more integrated manner and to achieve this they require a framework that

goes beyond TBL. The purpose of non-financial reporting needs to be redefined in that it's not just about profits, but it's more about creating value for the corporation and for the society.

CHAPTER 7 IS THE TRIPLE BOTTOM LINE A RESTRICTIVE FRAMEWORK FOR NON-FINANCIAL REPORTING?

The fifth article (Chapter 7) has been published in the Asian Journal of Business Ethics. The paper aims to investigate the progression of CSR reporting practices by corporations that operate form a TBL paradigm. A five-stage model was developed for the purpose of this investigation. Semi-structured interviews were conducted with forty global corporations to identify in which of the five stages they currently sat. In addition, the analysis also showed the perceptions of the interviewees during each of these stages based on the six dimensions/criteria of non-financial reporting.

The results show that TBL pushed corporations into action and got them started on the process of CSR reporting. TBL helped raise awareness in terms of the environmental and social disclosures that was lacking in corporate reporting. However, none of the forty corporations were able to mention that they had got to the fifth stage, a fully integrated approach. The interviewees believed that TBL constrained them from getting past the second or third stage and that a move beyond TBL was required to possibly develop greater integration in their reporting systems.

Citation

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Is the Triple Bottom Line a restrictive framework for non-financial reporting?

Abstract

The Triple Bottom Line reporting framework is one of the pioneering movements for getting corporations thinking about non-financial reporting. While literature has been done extensively on the TBL framework, data linking TBL and how it has helped, or even hindered corporations progressing through different stages in their non-financial reporting processes is missing. The purpose of this paper is to analyze the developmental stages of non-financial reporting in corporations, by interpreting the views of interviewees from major ethical corporations on the six major dimensions of non-financial reporting (identified in the literature) within each stage of the 5 stage model of non-financial reporting (developed in this paper). In order to facilitate this analysis, forty interviews were conducted over one year, with forty corporations selected from various sustainability indexes, focusing on corporations that adopt best practices in this area, and also have a TBL approach to non-financial reporting. The results of the analysis show that TBL certainly got corporations started in the journey of non-financial reporting, but has not pushed them far enough to develop a more integrated approach to reporting nor clearly aligning their non-financial reporting performance with their financial performance and business strategy.

Key words

Triple Bottom Line; Stages; Non-financial reporting; Corporate Social Responsibility; Sustainability; Denial; Integration; Stakeholders; Transparency; Accountability; Leadership; Strategy; Disclosure; Corporate culture

7.1 Introduction

In the current economic climate, the traditional and basic accounting frameworks do not represent the holistic performance of a corporation. Non-financial accounting frameworks better encapsulate the holism and significance of corporate behaviors, actions and impacts.

Corporations that are forward thinking have shifted their paradigm from having a compliance based strategy towards corporate reporting to a more proactive strategy by focusing more on financial and non-financial reporting. Non-financial reporting is the system of measuring organizational performance in the environment and social (non-financial) dimensions, and disclosing this information to internal and external stakeholders. Non-financial reporting drives corporations to be more transparent and accountable with their overall performance and its impact on the overarching pursuit towards the goal of sustainable development (Hartman et al., 2007; Nielsen & Thomsen, 2007). While a number of non-financial reporting frameworks have been developed over the years, the best known framework that numerous corporations globally have embedded into their reporting systems and culture is the Triple Bottom Line (TBL) reporting framework. TBL is conceived as a popular reporting tool describing corporate social, environmental and economic performance. The progression or evolution among corporations who adopt TBL reporting as their main non-financial reporting framework over a period of time is missing in research, and this paper aims to fill that gap.

The purpose of this paper is to analyze the stages of non-financial reporting in corporations. This is done by interpreting the views of interviewees from major ethical corporations on the six major dimensions of non-financial reporting (identified in the literature) within each stage of the 5 stage model of non-financial reporting (developed in this paper). This study is part of a series of papers on Triple Bottom Line reporting (TBL) and its relevance to corporate reporting practices. The TBL is perhaps the pioneer for getting corporations thinking about non-financial reporting. While literature has been done extensively on the TBL framework, data linking TBL and how it has helped, or even hindered corporations progressing through different stages in their non-financial reporting processes is missing. In order to facilitate this analysis, forty

interviews were conducted over one year, with forty corporations selected from various sustainability indexes, focusing on corporations that adopt best practices in this area, and also have a TBL approach to non-financial reporting. The results of the analysis show that TBL certainly got corporations started in the journey of non-financial reporting, but has not pushed them far enough to develop a more integrated approach to reporting nor clearly aligning their non-financial reporting performance with their financial performance and business strategy.

7.2 Literature review

Evolution of non-financial reporting

The reporting revolution has moved through three phases in history: Firstly, in the 1960's and 1970's, corporations tried to minimize the damage caused on the environment from their operations (Makower, 1993; Sullivan, 1992); secondly, corporations reacted to the regulations put forth by governments in the 1980's and tried to reduce their costs of complying with these regulations (Rondinelli and Berry, 1997; Mirvis and Googins, 2004); and thirdly, in the 1990's, with the advent of numerous frameworks such as the Triple bottom line (TBL) reporting framework, corporations found a reporting mechanism to disclose their environmental and social data, and use this tool to find ways to minimize their environmental impacts as well as look for new business opportunities through best practices in environmental management.

Dimensions of non-financial reporting

Within non-financial reporting, six important dimensions have been identified in the literature as major drivers for corporate acceptance or denial of non-financial reporting frameworks: the underlying **concept** or meaning, **strategic objectives**, **leadership**, **stakeholder focus**, level of **disclosures** and **integration**. Firstly, non-financial reporting is a broad topic and can have different meanings to different corporations. This is evident in different terminologies such as TBL, corporate citizenship, corporate social responsibility, sustainability etc. The meaning that corporations attach to non-financial reporting plays a key role in the manner in which they report on their non-financial activities. Secondly, the strategic objective or competitive advantage that corporations can garner from non-financial reporting is a key driver in their need

to adopt or abandon this approach (Cummings & Doh, 2000; Greening & Turban, 2000).

Enhanced reputation, brand image, corporate identity with the employees is key elements of adopting non-financial reporting practices. Thirdly, the introduction and implementation of non-financial reporting is driven from senior management, such as the Board of Directors or the CEO of the corporation (Donaldson, 2005). 79% of CEOs agreed that non-financial reporting was vital to the profitability of any company (PricewaterhouseCoopers' Global CEO Survey, 2003). The fourth dimension is on stakeholder focus. Corporations are interdependent with their internal and external stakeholders; there are consequences when corporations ignore the needs of their stakeholders leading to public attacks and a possible removal of their licence to operate (Hooghiemstra, 2000; Cumming, 2001). The fifth dimension is the level of disclosures that corporations need to provide. Since non-financial reporting is mostly voluntary, corporations are not mandated to adopt this practice. However, as mentioned previously, the growing knowledge in this area is creating a sense of awareness and demand from stakeholders to see more non-financial information reported by corporations (Blaconniere & Patten, 1994; Roberts, 1992). This in turn has made the fifth dimension a compliance issue despite being based on a voluntary topic. The sixth dimension is integration. Over the last few years, corporations have started to appreciate the topic of non-financial reporting more and attempted to integrate it with their financial/annual reports. While unsuccessful, this has proven to be the next step in advancing this area. Literature has shown that integration is potentially the final stage in the evolution of non-financial reporting (Kaplan & Cooper, 1998; Schaltegger & Burritt, 2000). The integration between social and corporate interests, which leads to business proposals and strategies being informed by the environmental and social data, provides the foundation for an integrated approach. The six dimensions not only individually drive non-financial reporting but also drive it in an integrated manner. However, for the purpose of this paper, the analysis will focus on investigating each dimension individually and how corporations behave within each dimension.

Non-financial reporting frameworks

During the past twenty years a voluminous literature on narrative reporting has emerged, together with a number of feasible non-financial reporting frameworks and approaches. Two of

the most notable ones are the Global Reporting Initiative (GRI) and the AA1000 Principles Standard 2008 (AA1000APS). The GRI has put out the G3 guidelines which can be applied to corporations of different sizes and locations (GRI, 2006). The GRI and the AA1000 function on a principles-based approach, and continue the multi-stakeholder process. There are currently three sets of indicators for reporting in the GRI: core, additional and sector-specific (which could, for that sector include 'core' and 'additional'). The distinction between core and additional is based on different presumptions of materiality. There is insufficient guidance in G3 of the reasons why indicators were considered to be core or not (Sherman, 2008). The GRI offers a high number of indicators which makes it hard for corporations to determine the materiality or importance of their key issues and its relation to the indicators. The different levels of parameters and indicators allow corporations to handpick those that are important to them leading the issue of selective reporting (Moneva, Archel and Correa, 2006).

The Triple Bottom Line

The main function of the TBL approach is to make corporations aware of the environmental and social values they add or destroy in the world, in addition to the economic value they add (Henriques and Richardson, 2004, Elkington, 1997, Berger, Cunningham and Drumwright, 2007, Morland, 2006). Research indicates that for a variety of reasons, corporations adopting Triple Bottom Line (TBL) reporting are making changes to the way they do, or at least think about, business (Kimmitt and Boyd, 2004). TBL has become a dominant approach today in terms of corporate reporting and being more transparent in accounting practices (Robins, 2006, Savitz and Weber, 2006). A mere six years after Elkington's coining of the term, the search engine Google would reveal 52,400 web entries concerned with the topic, and as of 9th September 2009, the number of hits is 1,190,000. According to the Corporate Register database (Corporate Register, 2008) the number of TBL reports grew from around 30 in 1992 to greater than 1800 reports in 2008. TBL is considered a metaphor for understanding that the social and environmental areas are important ingredients that contribute to company's success (Morland, 2006). However, reporting or any corporate activity hinges on the corporation's licence to operate. Elkington (1997) developed TBL for Shell, a major oil corporation to function as a

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vehicle to communicate with their external stakeholders. TBL's utility in minimizing damage to corporate reputation and brand and enhancing their image as a socially responsible corporation maintained Shell's licence to operate. This feature of TBL is still present and makes it a strong standard for non-financial reporting.

Corporations are vigorously creating and publishing TBL reports in order to showcase an image of care for the economic, environmental and social dimensions of social responsibility (Raar, 2002, Morland, 2006, MacDonald and Norman, 2007, Robins, 2006). Figure 8 below provides a pictorial snapshot of the factors that drove TBL reporting.

Figure 8: Forces driving TBL reporting

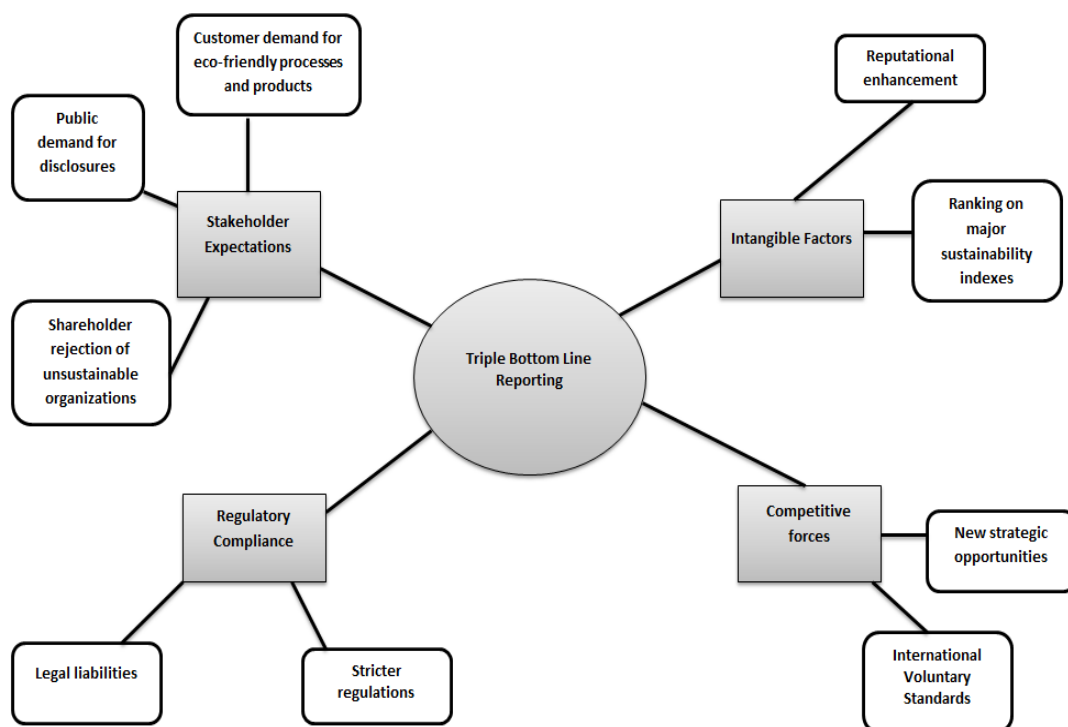


Figure 8 shows examples of some of the rationale for corporate voluntary disclosures. Most business managers are pragmatic individuals and they see the need to respond appropriately to the changes in the environment; particularly the increasing awareness, concerns and expectations of their customers and other stakeholders, in order to survive in the long term. TBL reporting is a mechanism or relationship building exercise with an ultimate aim to enhance the

corporate financial sustainability in the long term. Non-financial reporting on the other hand is a strategic economic driver that paves the way for future success and sustainability (Healy & Palepu, 2001; Verrecchia, 1993). In Figure 8, intangible factors, stakeholder expectations and competitive forces are associated with sustainability of long-term performance. For a number of corporations, social and environmental practices have become an important part of their corporate culture (Clarkson, Li, Richardson & Vasvari, 2008). While the impacts of social and environmental performance on financial performance are likely to be less direct and less immediate through TBL reporting, these non-financial impacts would have an intangible value that corporations find hard to discard (Sherman, 2009). However, this does not necessarily mean that corporations accept TBL reporting to be a success. Initially, corporations used the TBL approach to measure and disclose their economic, environmental and social performance through TBL reports (Pedrini, 2007). However, the ability to see the value add from TBL reporting was invisible to the corporate eye (Sridhar, 2011; Norman & Macdonald, 2003). The absence of a value-add could have potentially pushed corporations to become more proactive and attempt to align their corporate strategy with their sustainability functions and stakeholder expectations by exploring and developing new frameworks. This is further investigated in the findings section of the paper.

In order to try and understand the evolution of non-financial reporting processes of corporations through the lens of TBL, it's important to see where an organization has been prior to its TBL adoption and where it intends to go in the future. There are some corporations that are unclear on what non-financial reporting means to them (Robins, 2006). On the other extreme, there are some corporations that are trying to integrate their non-financial reporting with their financial reporting in order to set new standards of performance and come up with one-single report. In between the two is a group of corporations that are transitioning in terms of their understanding, values, knowledge, and practices about TBL and non-financial reporting. Understanding the stage at which TBL/non-financial reporting currently sits with corporations that seem to show best practice in this area, and knowing what challenges they face in advancing their reporting processes can provide a better understanding about where the organization stands and what

strategic choices they have to move forward. This can in turn help in developing benchmarks and targets for the corporations to improve the area of non-financial reporting.

7.3 Stages of non-financial reporting

What is the definition or meaning to say that a company is at a “stage” in its non-financial reporting process? Piaget’s developmental theory showed that there are different patterns of operation that happen at each stage of development. These operations or activities become more sophisticated and complex as the development process improves, and the capacity to respond to any challenge simultaneously improves (Piaget, 1969; Wheelan, 2004). From a non-financial reporting perspective, corporations grow along a developmental path as they are faced with challenges (emotional and operational) that need a more socially sensitive framed interaction with the external and internal environment.

The Development of Stages

A number of models of stages for reporting have been developed in the academic literature. On a large scale, academics have analyzed changing views of the function of corporations in society, with the views being nurtured by governments, organization leaders, scholars etc. (Hart, 1997). The research identified the evolution of terms like corporate governance and ethics, social responsibility and environmental management that have become synonymous with the way in which corporations conduct themselves in the community. Other academics have investigated these terminologies further through professional and social movements at the industry and society level (Shrivastava, 1992; Elkington, 1997). At an organizational level, the level of regulatory demands and stakeholder expectations push corporations to build their capabilities to meet these demands as well as improve their own sustainability policies (Post and Altman, 1992). Studies show that organizational learning becomes more complex at different stages of development (Hart, 1997; Zadek, 2004), as the requirement to act becomes more demanding, as well as the structures, systems and processes to conduct non-financial reporting also becomes more detailed and complete.

However, the limitation in these frameworks is that the mechanisms that motivate the development of non-financial reporting in corporations as well as the logic behind it have not been fully explored. This paper looks at a stage-by-stage process that uses the organizational capabilities (TBL) implemented to non-financial reporting issues and how it has driven development forward (or backward) in a normative sense or logic. Greiner's (1972) model of organizational growth discusses this normative direction. According to Greiner, a number of predictable issues trigger responses from corporations that not only aid in their development process but also help them to move forward. Mechanisms that trigger these responses are simply the problems between the current state of operations and issues that they create that demand an improved response from the organization. During times of crisis, corporations develop progressive, effective and elaborate responses to the challenges posed to them. This normative model can serve as a foundation for the stages developed in non-financial reporting and TBL. The triggers in the model are challenges requiring a new response. In non-financial reporting, these challenges revolve primarily on an organization's credibility as a corporate citizen; meet stakeholder needs, the linkage of its reporting processes, and its commitment to embed non-financial reporting as part of its corporate culture and strategy. Under this framework, there is no end point or conclusion, i.e. corporations cannot attain a penultimate end result or stage (De Ven and Poole, 1995). The development of non-financial reporting within any organization is determined by the environmental, socio-economic and institutional forces that have an effect on the organization.

The 5 stages of reporting

The five stages of reporting developed in this paper have been modeled after the work of Dunphy et al. (2003). They have created an evolutionary path which they represent as a Phase model. Figure 9 illustrates the Dunphy framework:

Figure 9: The Phase Model (Dunphy et al., 2003)

The Phase Model

Rejection
Non-responsiveness
Compliance
Efficiency
Strategic Proactivity
The sustaining corporation

Ultimately, the goal of every corporation should move into this stage. The goal of becoming a sustaining corporation requires an awareness of the system. Moving beyond compliance, developing new technologies, formulating company values and mission statements based on its sustainable goals are the characteristics of a sustaining corporation. The model in Figure 9 provides a way of thinking that can help people determine whether reports are being produced to provide mere compliance or whether they are being used to develop/evolve corporations to higher levels of sustainability. The number of indicators in corporate performance is growing showing a need for diversity and plurality (Schoenberger-Orgad and McKie, 2005). The limitation or gap with existing models in literature is the lack of acknowledging the presence of a TBL way of thinking through each stage. Dunphy et al.'s model encompasses non-financial reporting as a broad area through which corporate behaviors are analyzed to see their progress along the different stages. However, for this paper, a five-stage model which is fairly similar to Dunphy et al.'s model is built with the sole purpose of investigating how corporations using TBL reporting in particular were able to progress from stage to stage. While this model is built for investigation from a TBL perspective, it is universally applicable for corporations that conduct sustainability or non-financial reporting.

As mentioned in the introduction, this paper is part of a series of interviews-based analytical works on investigating and analyzing TBL's impact on corporate behaviors and activities over a period of time. The foundation of literature upon which this model is built is found in Sridhar (2011)'s paper on the multi-dimensional criticism of TBL.

- 1) **Stand back and wait approach**- a defensive stage
- 2) **Being Transparent and accountable**- a compliance stage
- 3) **Alignment of stakeholder expectations and corporate strategy**- embedding social issues into management strategy
- 4) **Build system based on stakeholder expectations**- early signs of integration of social/environmental issues into economic matters
- 5) **A fully integrated approach**- transformation and collective action towards complete integration of financials and non-financials.

As the model shows, the first stage is not sustainable, the 2nd is a reactive phase to stakeholder pressures, the third and fourth stages are showing signs of moving beyond a simple TBL approach, and the fifth stage is the fully integrated goal that corporations aim to achieve. The difference in the five stages shown above and the stages created in other literary works is the focus of these stages purely from a TBL perspective. The five stages are sequential as it provides a logical sequence through which corporations interpret and evolve in their non-financial reporting processes. It would be hard for a firm to jump from stage 1 to stage 5 without understanding the complexities of reporting at stage 2, 3 and 4. The Methodology section will elaborate more on how these stages are interpreted through a TBL lens for non-financial reporting and development processes.

Dimensions of non-financial reporting

In order to track the developmental path of non-financial reporting in corporations, this paper focuses on six dimensions of non-financial reporting, in particular, TBL, and corporate attitudes and behaviors to TBL within each of the five stages mentioned above.

1. ***TBL concept:*** *How is TBL defined?*
2. ***Strategic objectives:*** *What is the purpose of TBL and non-financial reporting in an organization? What it is trying to achieve through TBL in terms of business strategy?*

Corporations normally tend to consider reputational risks and benefits in order to establish a business case for adopting TBL and non-financial reporting.

3. **Leadership:** *Do top leaders support TBL and non-financial reporting? Do they lead the effort?* Research, interviews and surveys show that leadership is a catalyst for adopting TBL and non-financial reporting practices in an organization. However, to what level do the leaders get involved with the reporting activities, are they proactive or reactive?
4. **Stakeholder Focus:** *Does TBL serve as a tool for them to engage with stakeholders?*
An increase in the number of non-governmental corporations (NGOs), increased regulatory compliance, increased awareness by shareholders, have all driven the manner in which corporations communicate and engage with their stakeholders.
5. **Level of Disclosure:** *How transparent and accountable is an organization about its TBL performance?*
6. **Integration:** *What level of integration is achieved in an organization's TBL reporting or non-financial reporting process?*

An example of how a stage relates to each of the six dimensions is given below (Stage 1).

Stage 1: Stand back and wait approach

TBL concept

In the stand back and wait stage, corporations are normally faced with intense and possibly unexpected pressures from external sources such as media but also from other stakeholders like their investors or customers. At this stage, corporations tend to deny any wrongdoings against them and reject any negative impacts their activities might have caused. TBL reporting does not play a role at this stage as corporations are not even reactive; they tend to be more resistant to moving forward in terms of their social responsibility. An example can be provided of how an organization that was one of the early adopters of TBL reporting still functions partially in this stage. Shell, a major oil company, has continued to play a stand back and wait approach regarding its carbon emissions. The organization rejects concerns and demands by environmentalists, even today, regarding being held accountable for emissions from its products after they have been sold to customers. This is a good example of how corporations adopting TBL reporting do not necessarily have to be very proactive or even fully accountable with their

actions as the reasoning behind TBL adoption does not ‘necessarily’ drive corporations further within the moral grounds of improved CSR or corporate citizenship.

Strategic objectives

Corporations tend to prefer being compliant with the general industry regulations, and delegate responsibilities of handling these compliance issues with the public relations or legal departments. The function of the departments here is to make sure that corporations follow the rules and avoid any attacks on their reputation.

Leadership

Leadership is indifferent to CSR and non-financial reporting matters at this stage. Generally, leaders at this stage focus only on driving profits and satisfying shareholders. Friedman (1970) sums up the notion of this stage by stating that an organization’s obligations to society are solely to make a profit. Smaller sized corporations tend to fall in this stage partly because they do not have the necessary resources to make a larger impact on the communities and the environment.

Level of disclosure

At this stage, corporations put out an annual report which primarily encapsulates their financial information. The concept of putting out a sustainability report or a Corporate Responsibility report that provides non-financial information is absent.

Integration

At this stage, there is no focus on non-financial reporting, and the concept of integration is still unknown to corporations or they are consciously incompetent with this concept.

Stakeholder focus

At this first stage, corporations’ non-financial reporting practices are primitive. TBL reporting is relatively absent in the culture within the organization and most importantly, the channel of communication with the stakeholders is one-way, especially in the environmental and social areas.

Within each of the five stages, the six dimensions of non-financial reporting are posed to the interviewees to better understand their interpretation of TBL and how it has helped or hurt their progress or development along the five-stage model.

7.4 Methodology

This study was conducted over a period of nine months, during which interviews were conducted across forty corporations around the world that were considered to be following best practices in non-financial reporting. Interviews were necessary as it would lead to a more personal and transparent method to collect data from the interviewees. The key interviewees were managers and heads of the sustainability departments within the corporation. Forty corporations were selected to participate in the study based on a few criteria. Firstly, by looking at different sustainability indexes and projects like the Dow Jones Sustainability Index, FTSE4Good, and The Carbon Disclosure Project, it was possible to identify a group of corporations who were considered to follow better non-financial reporting practices by these indexes. For example, the criteria used to rank corporations on the DJSI are based on TBL performance. Narrowing down and selecting corporations (which ended up being forty) who were ranked on ethical indexes, as well as having TBL reporting in the past and/or present were the two main considerations for the selection process for the selection. The forty corporations were the highest achieving/performing firms in the indexes in terms of their ranking. They are all listed companies with the respective countries’ stock exchange. The participants were from different countries around the world as the research aimed to get a mix of data from corporations operating in Australia, America and Europe. The group of forty corporations is shown in Table 14:

Table 14: Selection of forty corporations

ORGANIZATIONS	INDUSTRY
A1	Auto Manufacturers
A2	Auto Manufacturers
A3	Auto Manufacturers
B1	Beverages
B2	Beverages
C1	Building and construction materials
C2	Commercial and Professional Services
C3	Commercial Services & Supplies
C4	Consulting
E1	Energy
F1	Financials
F2	Financials
F3	Financials
H1	Healthcare
H2	Healthcare
I1	Industrials
I2	Information Technology
I3	Information Technology
I4	Information Technology
I5	Insurance
I6	Insurance
I7	Investment Banking
M1	Materials
M2	Materials
M3	Materials
M4	Materials
M5	Media
P1	Print Services
R1	Real Estate
R2	Real Estate
R3	Real Estate
R4	Retail
T1	Telecommunications
T2	Tourism
T3	Transport & Logistics
T4	Transport & Logistics
T5	Transportation
T6	Transportation
T7	Transportation infrastructure
U1	Utilities

The fundamental TBL reporting principles is a global phenomenon and the acceptance and implementation of TBL has no boundaries. The corporations in this selection discuss their TBL reporting techniques from a holistic perspective, and not from an objective point of view. This would be a limitation if the study was done on environmental or social measurement

techniques/practices only. The corporations selected in the selection have signed the agreement for interviews conditional upon the organization's name and the interviewee's name being kept confidential. A company code has been assigned to individual corporations. As shown in Table 14, the annotation for each corporation corresponds to the industry that they are in. The corporation that is in the Utilities industry is coded as 'U1' while a corporation in the Financials industry is coded as 'F1.' In addition, corporations have clearly stated in the agreement form that details of their operations, including market cap, number of employees etc. should not be revealed in the research.

Interviews

The interviews were conducted in person as well as over telephone and the interview questions were structured and developed from the literature survey and analysis. The questions were structured around the five-stage model, initially asking the organization what stage they were operating in at present, and where they wanted to get to in the future. Appendix 1 shows the list of interview questions. Based on the responses to the two questions, corporations were then asked to elaborate along the six dimensions for each stage, to get a better understanding of how and why they operated at each stage. Fundamental to each question is the importance of TBL reporting and how they perceived its function at each stage. Once the interviews were completed, they were transcribed and analyzed using NVIVO and Excel to not only determine how many corporations were at each stage, but also try and collate data around each dimension using coding. Table 15 summarizes interviewees by job title.

Table 15: Job title of interviewees

ORGANIZATIONS	JOB TITLE OF INTERVIEWEES
A1	Director, Corporate & Governmental Affairs
A2	Director, Sustainability & Environmental Policy
A3	Manager, Environmental Policy
B1	Sustainability Manager
B2	Sustainability leader
C1	General Manager, Corporate Affairs and Investor Relations
C2	General Manager, Environment and Climate Change Solutions
C3	Group Manager, Environment
C4	Director, Corporate Citizenship□
E1	Manager - Investor Relations & External Affairs□
F1	Manager, Corporate Responsibility & Sustainability
F2	Manager Corporate Responsibility Reporting □
F3	Senior Advisor, Sustainability
H1	Corporate Responsibility Associate
H2	VP, Corporate Responsibility
I1	Director, Corporate Citizenship□
I2	Manager, Corporate Affairs
I3	Environmental Manager
I4	Regional Director
I5	General Manager Corporate Affairs
I6	Manager, Business Sustainability
I7	Director, Sustainability Affairs
M1	Sustainability Analyst
M2	Sustainability Energy Officer
M3	Sustainability Manager
M4	Global Director, Sustainability
M5	Director, Sustainability
P1	Manager Environment And Sustainability□
R1	Sustainability Manager□
R2	Sustainability Manager
R3	Coordinator, Corporate Responsibility and Sustainability□
R4	Sustainability Manager□
T1	Group Manager Environment □
T2	Head of Sustainability
T3	Senior Communications Advisor
T4	General Manager, CR & Quality
T5	National Manager Environmental Sustainability Planning
T6	Manager, Risk & Sustainability Reporting
T7	Strategy & Marketing Manager
U1	Manager, Reporting

7.5 Findings

The tables in Appendix 2, 3, 4, and 5 provide synthesized tables of responses to the interview questions. The first question posed to the interviewees was to identify which stage they were in

terms of their non-financial reporting. Based on the interviewees' verbal responses, Figure 10 below shows the results for how many corporations belong in each stage.

Figure 10: Number of corporations at each stage of the five-stage model

Stage	Number of companies
Stand back and wait approach	0
transparent and accountable	8
alignment of stakeholder expectations and corporate strategy	12
build system based on stakeholder expectations	6
a fully integrated approach	0
Stage 3 & 4	14
Total	40

A more in depth discussion is now given on each stage and how the six dimensions were perceived by the forty corporations for each stage, in addition to the mechanism of TBL and whether it played an integral role or not. The first stage has no interview data as none of the corporations could relate to a passive approach as they are all well into their journey in non-financial reporting.

Non-financial reporting at each stage

Each stage is explained below with evidence from organizational interviews as examples of corporate practice.

Stage 2: Being Transparent and Accountable

TBL concept

The birth of TBL reporting is apt to mention at this stage. Its principles and framework functions as a starting point for corporations to begin the dialogue with the stakeholders and embrace a certain level of engagement. TBL's policy based approach drives corporations to adopt it so as to avoid litigation and reputation damage. Through TBL, corporations are able to provide more visibility on their environmental and social actions and reactions, simultaneously becoming internally aware of their own impacts on these areas. The birth of TBL allowed for policies on environmental practices, employment health and safety etc. to play a more prominent role in organizational reporting and operations.

From an economic point of view, managing sustainability in the company is important. It's easy for operational managers in the business to not believe in the "green initiative unless there is a financial outcome or benefit for the company. They perceive more as a cost for the company. From an economic point of view, any sustainability initiative we make must have an economic driver and TBL has initiated this process [Quoted from T5].

An economic driver is essential to embed TBL in corporate reporting practice, in Stage 2. While corporations use TBL as a reactionary measure to report on their environmental and social activities, its adoption is primarily driven by the intention to enhance the net income or profit maximization.

Strategic objectives

At the stage of being transparent and accountable, an organization aims to be more engaged and compliant with the environmental and social areas, in addition to the generic financial and industry regulations. During this stage, corporations formulate their policies and aim to refrain from doing what they promised not to do. Compliance is interpreted as the cost of having a licence to operate; it generates value for corporations by safeguarding their reputation and minimizing risks and liabilities.

The reason for adopting TBL reporting started from external pressures. We had market pressures from activist groups, and their request for information. It was in 2000/01 that we saw it is difficult for us to report on this area but if we wanted to report it externally, we needed better measures [Quoted from C2].

Leadership

During the stage of being transparent and accountable, leadership at an organization is essential.

At the moment TBL is seen as a way for leadership to engage with stakeholders externally as well as driving awareness within the business [Quoted from M3].

Their ability to initiate awareness and transformation in the organizational outlook for the employees towards embracing social responsibility is of the utmost importance.

Level of disclosure

At this stage, the idea of a non-financial report is being conceived but the notion behind this development is still hinging on functioning as a public relations stunt. TBL certainly drives this thinking forward.

Integration

The limitation within TBL and this stage is that corporations still tend to be reactive to emerging non-financial matters, rather than being proactive, which limits an integrative manner of thinking and reporting.

We do not have what you would call an integrated accounting framework that brings the TBL together and comes out with some sort of holistic metric that captures all those things. We have financial accounts and we have separate environmental accounting systems. They are more objective and rigorous. The social area is not accounted for properly [Quoted from I5].

At this stage, the limitations within the social measurement of TBL become apparent.

Corporations are coming to terms with a lack of meaningful integrated data from TBL reporting and are starting to demand for a more robust methodology and framework to address this issue.

Stakeholder focus

The idea of having an interactive communication process with stakeholders appears in this stage. An example of this case comes from C1:

When the company was challenged by environmentalists over improper environmental practices, there were conflicting responses from the various internal stakeholder groups within the organization. It thereupon adopted TBL reporting to immediately address all the environmental and social issues. The important and strategic trait displayed in this

stage is the desire of the organization to maintain its licence to operate, preserve its reputation.

However, the hindrance to this is that corporations tend to believe that the expense of efforts and energy to be transparent and accountable as well as have a two-way communication with stakeholders is not worth the expense in financial terms.

Stage 3: Alignment with stakeholder expectations and corporate strategy

TBL concept

The significance between TBL and this stage highlights the problem that corporations have to make a business case for non-financial reporting. Within TBL, the metrics and criteria tend to be functionalized at the third stage. Corporations tend to view benefits of TBL only in particular areas:

- Social- Reputation, recruitment, retention.
- Environmental- Life-cycle costs
- Economic- Risk exposure, access to resources and capital

At this stage, corporations start to realize that they face a long-term problem, which simply cannot be outmaneuvered through attempts at conducting public relations events or being compliant. TBL reporting represents both these activities and corporations need to think beyond a TBL approach in order to start moving to the next stage. TBL allows corporations to be compliant with certain environmental and social standards; however what TBL does not show is that such compliance is hard to achieve without proper alignment and of business operations to stakeholder concerns and expectations.

Our decision to get involved in TBL reporting was more about our stakeholders asking us to be more transparent about what we do and how we are performing from a much broader perspective [Quoted from I6].

Further explanation of TBL with the 3rd stage is given under **Integration**.

Strategic objectives

Socially responsible investment houses and indexes, such as the Dow Jones Sustainability Index, have recognized the importance of TBL and rate corporations based on the extent to which they adopt and apply TBL reporting.

It is important for us to be ranked. When we fill the questionnaires we know we may be weak in a certain area even before we are told. We are not being compared with companies in other industries though. We are compared with other banks. We were on leadership index of CDP and we used that to our advantage to put it in every press release and get some mileage out of it [Quoted from F1].

This has certainly been a stimulus for the continued rigor in reporting practice of TBL in many large corporations. While getting included in the indexes doesn't necessarily imply an improvement in financial performance, the participants certainly felt that inclusion in the index justified their efforts in this space.

Leadership

Leadership, at this stage, tends to stress the strong value and power of the corporate brand, using TBL as the vehicle to launch this praise.

Leadership is initially important to drive this issue. Once people start seeing the process with their own eyes then it gets easier. It is a painful process. Once we integrate after getting data to show that this has benefit to company, then people start to realize that they cannot do balance sheet without looking at non-financial

information. Now we have people from different departments working together [Quoted from R4].

The corporations that are moving their non-financial reporting processes and practices to this stage emphasize the importance of having a top down leadership approach. TBL reporting, as well as the move towards better alignment and integration are concepts that top management need to drive into the corporate culture.

Level of disclosure

TBL is aggressively pursued and adopted as a reporting framework for corporations in this stage. Hence, they put out a proper non-financial report using TBL principles, and disclosing their economic, environmental and social performance. When indexes like the DJSI use these three criteria of TBL (economic, environmental and social performance) for including corporations, it certainly does not hurt the reporting company from disclosing information using a TBL approach.

Integration

In the third stage, corporations aim to take their non-financial reporting practices as well as their CSR practices further by adopting a more integrative approach to non-financial reporting, as well as deepening their commitment and involvement in the area.

We all have a duty to have our shareholders first and foremost. We are making a connection between environmental and social and we know that it's good for business. Engaging our employees and letting them know how we are dealing with the environment is important for us. We're not just spinning our wheels, but that our TBL program does pay for more than the bottom line. In terms of impact, we know that it's good for business and reputation and clear that we do support corporations that can be tied back to a financial outcome for our business [Quoted from F1].

Corporations at this stage are still hindered though in terms of providing integrated reporting, especially in the social area. They still compile data that is put together by different operating

units and presented with a corporate spin, which is essentially what TBL reporting is. The corporations in the sample do not have a good sense of impact or integrated efforts among the different areas. For example they do not factor in a lot of costs into their donations or volunteer hours, as they do not know what it would cost in dollars and cents. A number of financial scandals and legislation led to TBL reporting becoming a “best practice” in non-financial reporting for corporations. However, the level of integration and alignment with stakeholder needs, supply chain performance, and tying all the environmental, community, and economic practices and impacts together are still missing in reporting.

Stakeholder focus

An important prerequisite for corporations to improve their reporting capabilities in this stage is to increase their two-way communication with a wide range of stakeholders. While this may seem like an important prerequisite for each stage, the best method to try and align reporting that combines stakeholder focus and corporate strategy. For example, **A2** conducted a major participation program with its internal stakeholders to develop a set of revised corporate values and new CSR business principles. This led to an initiative of turning one of their manufacturing plants, that was old and near redundant, into a model of eco-efficiency. This is an example of creating integration between stakeholders and corporate values.

Stage 4: Build reporting system based on stakeholder expectations

TBL concept

The fourth stage of building a reporting system based on stakeholder feedback and expectations is a continuation of the third stage, and they can go hand in hand. While the previous stage is where corporations adopt TBL to accept the logic of capitalism from multiple stakeholders as well as accepting the social environmental and economic sustainability to continue their licence to operate, the fourth stage requires developing a system from the ground up purely based on stakeholder interactions and feedback. This in turn provides a greater level of integration right from the beginning. This is the stage at which corporations need to start thinking beyond TBL for their reporting framework and guideline.

Strategic objectives

In addition to the strategic objectives mentioned in Stages 2 and 3, corporations emphasize the importance of value-add in this stage. Similar to Stage 3, corporations want to see business costs and impacts from their CSR practices and non-financial reporting.

Leadership

In order to begin building an appropriate reporting system, an organization needs to first understand the concept of CSR and sustainability for their organization, and an integrated system needs to be put in place from the top levels of management, especially commitment from the board level.

I would like to see it as a normal reporting requirement and also see that it sits within our annual report. It should be embedded into the finance, hr, and sales departments and with the senior management team. We should report on material issues only, and show a roadmap of stakeholder issues for us [Quoted from T2].

Level of disclosure

A key challenge that is sought to overcome in this stage (for disclosure) is assurance.

When we share our stories through reporting, stakeholders can check through third party assurers and know what we are all about. Are we doing what we say we are doing? They can see that third party assurance. It will then improve our corporate reputation [Quoted from A2].

Corporations that produce non-financial reports aim to get it externally verified in order to truly embed accountability into its business.

Integration

The biggest challenge here is to move the organization from a phase of coordination (Stage 3) to a phase of collaboration (Stage 4). In Stage 3, the presence of TBL reporting in corporations allowed their recognition and reputation to get enhanced on ethical indexes like the DJSI.

However, in this stage, corporations looking to move beyond a TBL approach are starting to look at broader integrative systems for their non-financial reporting mechanisms, such as: risk

management systems, consultation with stakeholders on a major scale, training internal stakeholders on the importance of sustainability and non-financial reporting, and “issues” management frameworks.

Integration would be great but it's not that easy to accomplish. Having a scorecard approach at the moment complies with a TBL way of thinking but integration certainly does not relate to TBL [Quoted from I2].

Stakeholder focus

While a two-way communication focus is still an integral part of this stage, changing the mindset of corporations from simply communicating with their stakeholders, to developing more of a partnership with the stakeholders (especially the external ones) is a central theme for this stage. By renaming stakeholders as partners, an organization is in turn accepting them into its corporate boundaries, and shows a proactive approach towards building the non-financial reporting system as well as the CSR practices in general.

Stage 5: A Fully Integrated Approach

TBL concept

An organization can potentially aim to revolutionize its reporting but it should not change what it does just for the sake of reporting but take a more strategic approach. Companies are now starting to question how much they are doing and what “system” to use? While TBL philosophy is germane to what many companies do, the systems that capture data are not making it easy for employees. Even though the intent and philosophy is right, companies pay a high price internally for the benefits they are getting. The intent of TBL is to draw from non-financial information and draw it all back to financial information. Corporations are supposed to look at non-financial information from a financial perspective based on a TBL way of thinking. How can an organization measure something in terms of dollars when there are no dollars attached to say, employee engagement? They cannot do it unless they can show an increase employee engagement which coincides with increase in employee performance. Then again this is just an interaction, but there will be so many other factors showing improved performance. How can an

organization put a financial number on reputation or brand image? The manner in which the financial community wants to enforce and interpret TBL is flawed since every business is interpreting TBL itself. The reporting structure itself needs to have a radical change.

Strategic objectives

Corporations aim to drive integration into the strategy and achieve the linkage of the environmental and social dimension with the financial dimension. Based on the data analysis, the level of integration is heavily absent in non-financial reporting, for the forty corporations. One possible solution is for employees at these corporations to work together, across different functions, to discuss the potential impacts that their functions has on the broader community. Employees in the economic space would need to familiarize themselves with the environmental and social data/impacts to begin the process of integrating processes and information. As the employees integrate their discussions and ultimately the financial and non-financial information, the visibility of the overall value would become clear. Having an integrated approach across all divisions and having it integrated with financial data, and having every single staff reporting against the same framework would be a key recommendation from the data analysis. Corporate strategy is what drives the way corporations do business. If they have that core perspective embedded in their culture, then moving forward and taking a broad perspective becomes embedded into the strategy.

Leadership

Leadership is initially important to drive this stage. A fully integrated approach would be getting full support from senior management as well as have a top-down and bottom-up approach. To be fully integrated, an organization would have to have everyone on board.

The discussion for integrated reporting has been driven more from the bottom [Quoted from B2].

In old fashioned we followed a napoleon format and did what we were told to do. On safety, you can tell people about safety but they will never realize it until they see that it's for them and they can take pride from it. That's a huge leap. Hence, a top down

approach is not the best way to go about this. In the beginning, you need a top down approach to tell you what to do. Then you need to step back and let people buy into it and drive it [Quoted from M4].

The data from the interviews backs this principle and shows that corporations need to step back and let integrated reporting arise through a holistic discussion and participatory environment rather than a bureaucratic style of management.

Level of disclosure

As mentioned before, a single, comprehensive report detailing the financial and non-financial information is the level of disclosure that should be achieved at this stage.

Integration

A fully integrated approach would be where a company has a number of tools and a system so that their reporting is complete with no holes and is a seamless process that does not involve as much time as it does now. There is also a firm understanding among employees that the reporting is a reflection of a company's ability to thrive. Bringing the financial and non-financial report into a single report is the ultimate goal of the Fully Integrated approach. Integrating impacts among the areas is the first challenge in trying to achieve a single report. Sustainability must be integrated into business strategy so that if an organization looks at different impact areas, they can see that sustainability is a part of these different issues. When companies talk about things they want to do in the community, they talk about dollars and cents in donations but they do not have a good grasp on what it is that they do contribute in terms of volunteer hours etc. For example, an organization has a donations committee and donating to a cause that they have been donating to the past is not a reason for them to keep doing it. There needs to be business impact and business logic to keep doing it. TBL has not helped in the integration process as there is no proper bottom line or aggregating method.

It's not all black and white. The annual report to shareholders and financial stakeholders contains a lot of environmental and social data but does not contain the

full data of the sustainability report as there are different needs and requirements of stakeholders from financial world and the rest of stakeholders [Quoted from A1].

In addition, the non-financial reports have to demonstrate that there is a link between the two and not an overlap. Most corporations are good at financial side. Financial matters will have implications on non-financial matters and not the other way around. Once people start seeing the process with their own eyes, then it gets easier. Once they integrate after getting data to show that this has benefit to company, then people start to realize that they cannot do a balance sheet without looking at non-financial information.

We take a more holistic approach to business sustainability where we need a good financial performance but that needs to be complemented by a whole raft of CR activities. An integrated approach is one that provides enough information to the external environment of business so that the person reading can see how sustainable the business will be in the coming years, maybe 5 or 10 years from now. It's not just based on dollars and cents [Quoted from T4].

Stakeholder focus

An integrated approach is one that provides enough information to the external environment of business so that the person reading can see how sustainable the business will be in the long term rather than the short to medium term. In addition, the concept of strategic alliance should be the terminology for stakeholders in this stage. In Stage 4, partners were the term used to refer to stakeholders. However, forming a strategic alliance with them not only symbolizes a level of integration right from the beginning, the value add that corporations want to see in this stage would dramatically increase as the strategic Alliance brings together mutual collaboration of strategic planning and management in order to achieve long term objectives between the organization and its strategic ally.

7.6 Discussion

The five stage model was introduced to each of the forty corporations interviewed in the selection to determine which stage they believed they were in, and which stage they wanted to get to in the future. After looking at the different stages, the corporations believed unanimously that they wanted to get to Stage 5 in the future. At present, they are scattered in between Stage 2 and Stage 4. How does the transition occur for corporations who hope to get to the next stage from where they currently sit at? The Discussion is divided into two parts: ‘How to evolve in the 5 stage model’ and ‘why companies choose to stay or move forward with TBL reporting.’

Part 1- How to evolve in the 5 stage model

Transitioning to the second stage

An organization will start to think about the second stage only when a major hit is taken against its reputation. For example, an organization that is making billions in profits intentionally dumps a large amount of toxic materials into a river. When questioned, leadership at the organization would get defensive and state that at the time of the dump, they had fully complied with the environmental laws existing then. However, the pressures from external groups and the negative publicity of the organization will serve as a trigger to push the organization to a new stage in CSR as well as its reporting practices. Embedding a sense of awareness into an organization due to public expectations and pressures, depicts a readiness to transition from being a passive member to developing a slightly higher level of engagement within the realms of CSR through improved levels of non-financial reporting. The limitation here, as T1 notes, is the economic push behind the adoption of TBL. Corporations are purely driven by profit maximization and since they feel that this could be threatened by external pressures, they choose to adopt the TBL framework as a reactionary move.

Transition to the third stage

The level of engagement drives the transition to the next stage with stakeholders and how meeting their needs can be aligned with the corporate strategy, i.e. the ability to be prepared to meet new opportunities and threats. Different stakeholders have different needs and interests and trying to integrate that with corporate strategy is a problem within the TBL framework. The

key concept to allow for the transition is innovation. As I6 mentioned in the interview, corporations presently report on their social, environmental and economic activities; to truly capture the views and needs of different stakeholder groups, they could enlarge their capacities to manage the impacts, achieve complete transparency, be ethical, and also see the business aspects of conducting the non-financial reporting activities. TBL allows corporations to report extensively on the three dimensions, but it does not limit corporations from still acting in unethical or degrading ways for the environment or the communities.

Transition to the fourth stage

The problem in this stage is the number of different activities corporations need to execute, whether it's in creating and launching new programs in CSR, increase in public requests for information and disclosure which increases their exposure, as well as dialogues with diverse stakeholder groups. Having so many different functions can lead to misalignment and a serious lack of strategic focus. The efforts undertaken by the corporations to systematically manage and coordinate these different activities depict the growing strain between integration and differentiation. A1 mentioned that integration is a 'holy grail' for non-financial reporting, and TBL has hindered their progress in this journey. While this stage certainly shows hints of integration, the journey towards having an integrated approach to reporting and towards CSR practices is still a dream for all corporations. The most common reasons highlighted by the corporations for a lack of integration include:

- Lack of institutionalization of non-financial reporting throughout the business
- The terminology of non-financial reporting, CSR & sustainability have not been clearly or comprehensively defined or articulated to corporations, even with TBL.
- Different functional units within the organization do not see the value add of working together towards integrated non-financial reporting
- Short-term focus on profits is still the driving force in this stage, and TBL has not changed this attitude at all.

The above points are all interrelated in that the lack of having a proper non-financial reporting system stem from each of the four problems mentioned before.

Corporations seem to portray characteristics within each stage to a certain degree, such as being compliant in one area while being proactive and innovative in another area. While the five stage model presented in this paper depicts a normative road in the development of non-financial reporting in an organization, there are a number of factors that determine the direction in which the non-financial reporting practices evolve within the organization.

Part 2- Why corporations choose to stay or move forward with TBL reporting

Based on the data from the interviews, key factors have been discussed below to understand why an organization chooses to stay or move forward with its non-financial reporting practices, especially regarding their view on TBL.

Corporate mission and vision

Corporations' reporting practices that are created on a foundation of TBL tend to ignore the first two stages, and move on directly to the third stage. Being defensive or reactive is not in their culture; the organization and its leaders tend to be proactive with their environment and respond in creative and innovative manners.

External drivers

A number of socio-political and socio-economic drivers play a major role in influencing the non-financial reporting processes and practices of corporations, as well as determining where the gaps are in the organization's reporting structure. Firstly, corporations in the *materials* industry (in the selection) are closely monitored by environmental activists and NGOs and are exposed on their environmental activities and impacts. These corporations pay a great deal of attention to their environmental performance and reporting. A scan of the reports of these corporations in the *materials* industry showed that the metrics and policies were more geared towards the

environmental area, compared to the other corporations. Secondly, corporations in the selection that had a large supply chain or labor force in third-world countries, focused more heavily on the fairness of employment, proper working conditions etc. Thirdly, corporations that frequently interacted with indigenous people in Australia had an advanced system for community and stakeholder communications. Fourthly, the regulations and laws enforced by powerful bodies also determine (compliance) how embedded is non-financial reporting in corporations. In the selection, financial corporations tend to provide micro-financing to communities in poverty-stricken countries where they operate due to various community banking provisions put in place by the government, especially in the USA. Finally, the national origins of the corporations also play an important role in how corporations execute their CSR strategies. Corporations based in the USA are quite active in community affairs as they see additional benefits from this participation, which is something European and Asian firms do not. However, the European countries' governments adopt and enforce programs for social improvement a lot more than that of the USA. European corporations have an upper hand in adopting and implementing integrated reporting frameworks and concepts, and are much more advanced in the areas of environmental and social reporting, compared to their American counterparts.

Strategy and competitive advantage

Competitive and strategic drivers play an integral role in determining how corporations evolve with their CSR strategies and their non-financial reporting practices. Leaders are increasingly seeing the impacts that their business strategies have on their non-financial reporting agenda. The path that an organization takes in its reporting determines also who its stakeholders are and how they will react to the corporations' non-financial performance and disclosures (Jawahar and McClaughlin, 2002). This notion explains why corporations in different industries have different non-financial reporting processes and TBL strategies. For example, the large corporations in the selection emphasized the importance of government and local communities in that they played a major force in their business operations and decisions. The same could not be said of a small to medium sized organization. Large corporations also stressed the interpretation of being a good corporate citizen in the community. Finally, the corporations'

executives maintained the view that they need to take a more proactive approach in addressing important problems like human rights, climate change etc.

Leadership and corporate culture

Embedding TBL into the corporate “DNA” is a sure fire way to keep the organization’s culture stable against constantly evolving pressures in the environmental and social areas. In order to have this trait, leadership is crucial. This is apparent in Stage 2-4 in the model. However, the improvement in the non-financial reporting and TBL practices need to also be driven from middle management as well as from lower layers of management. The flow needs to be upward and outward, rather than purely downward.

7.7 Conclusion

TBL’s function as a restrictive framework has been demonstrated throughout the course of this paper. As seen from the data, none of the forty corporations were able to move towards Stage 5, a fully integrated approach despite having followed TBL as an overarching framework for non-financial reporting. In practice, the topic of integration is growing in importance. Financial reports do not fully consider the social, environmental and long-term economic context within which the business operates. Some companies produce ‘Sustainability’ or ‘Environmental, Social and Governance’ (ESG) reports which consider these factors. However, these reports do not necessarily connect the risks and opportunities with the business strategy and model. An integrated reporting framework will help to bring together data that is relevant to the performance and impact of a company in a way that will create a more profound and comprehensive picture of the risks and opportunities a company faces, specifically in the context of the drive towards a more sustainable global economy.

CHAPTER 8 CONCLUSION

8.1 Introduction

The important message mentioned throughout the thesis is that the TBL reporting process is not the end of the journey in the corporate reporting evolution; it's rather the beginning. The conclusion chapter is an opportunity to review what has been learnt and the contributions that have been made, and these are summarized below. In addition, this chapter also provides a pathway for considering the implications of what has been absorbed for the future research pursuits as well as for the broader academic community, and the final section of this chapter highlights these implications.

8.2 Thesis Synthesis

Research design developed by a desire to create awareness and possible change

The research is constructed from a strong belief that the global society is on an unsustainable path; the increased inequalities from the current system through which the global society manages access to the natural benefits that the planet provides is a major concern. Another issue is the manner in which corporations have been seriously led astray in trying to manage their CSR efforts due to their poor reporting procedures and systems, primarily attributed to TBL. These concerns are what motivated this investigation and thesis. The aim of the thesis was to investigate in detail practice of the TBL framework and determine whether the framework indeed was fundamentally flawed and hindering corporations from accepting the challenge to be socially responsible. The context of TBL reporting conducted by major corporations ranked or included in major ethical indexes has served as a relevant context to explore the challenge. The analysis done through investigating the TBL reporting practices and processes within these corporations has functioned as a practical activity through which to find out if there are any possibilities for change in the future.

Research involved learning through interaction with corporations that are avowedly practicing TBL

Through the initial research and literature review, the idea that TBL reporting could provide a practical means through which corporations could create sustainable change within their reporting systems was disproved. The level of inadequate, disintegrated and subjective disclosures combined with the misguided approach of TBL was supported by most of the research done through the literature review as well as looking at TBL reports of major ethical corporations. The semi-structured interviews with people who were professionally and personally committed to finding practical actions, as well as who were skeptical about TBL reporting took the research to another level. The main arguments of the thesis were influenced by the interactions with these change agents who were delegated the responsibility to conduct corporate reporting using TBL as the primary framework.

TBL as a concept does not work for corporate reporting and their operational systems. This is a problem for both the corporations and for TBL. It is a problem for corporations as they are held back in their non-financial reporting evolution; if they can't see the value-add of this, then corporate tendency would be to shy away towards activities that can demonstrate value to the business. At the same time, this is also a problem for TBL as the concept is riddled with rhetoric which leads corporations astray. Its endurance to date is surprising given its limitations; however, this thesis has attempted to expose the limitations at a practical level highlighting the need for corporations to move away from TBL, as a concept and as a way of thinking.

Research focus on process and outcomes

The investigation attempted to link perceptions about the processes and outcomes of TBL reporting to identify what limitations might be perceived by practitioners. The processes by which TBL was used within corporations was investigated, how its indicators were utilized, how it served as a vehicle to communicate with stakeholders, and then linking that to the outcomes of those corporations in terms of enhanced reporting processes, corporate change etc. The focus of the research aimed at providing a more formative evaluation and critique on TBL reporting rather than the dominant focus on evaluations of TBL report content, which was what most empirical research on TBL focused on.

Interviews-based analysis (interviews) focusing on TBL processes and outcomes

The semi-structured interviews conducted with forty global corporations ranked or included in ethical indexes paved the way to explore and document the outcomes of the TBL reporting process as well as provide an opportunity for the interviewees to reflect on the outcomes of TBL for themselves. Through further analysis the link between the reflections and data with the academic theories used to interpret the data was established, as well as the depth and extent of TBL-based outcomes and its overall effect on the corporate reporting practices of corporations.

In terms of the focus on TBL process outcomes through empirical analysis, what are the major conclusions in terms of the key component research questions?

Main research question- Do managers responsible for TBL reporting believe that the TBL concept is adequate to the task of defining and reporting on the broader financial and non-financial impacts that companies truly desire?

Based on the research and data analysis conducted in this thesis, managers of ethical corporations have a strong belief that TBL as a concept is inadequate to the task of defining and reporting the broader financial and non-financial impacts that companies truly desire. The fundamental limitations around TBL revolve around its conceptual identity, lack of objectivity, and non-integrated approach to reporting. The limitations are discussed further in the component research questions below.

Component research question #1 (chapter 2) - What is TBL; what are the limitations within this framework?

The literature review magnified a number of limitations within TBL. Firstly, the TBL is not being used as an objective accounting metric; the framework is more powerful as a metaphor or a linguistic tool. The literature on TBL highlights the fact that while it imposes itself as a non-

financial accounting framework, the tangible outcomes from TBL reporting are minimal, if not absent. Secondly, the principles behind TBL preaches an integrated manner or view of TBL reporting; however, the literature review as well as the analysis done on TBL reports of corporations shows a more balanced approach whereby the three dimensions are looked at separately. The limitation that is shown here is a false pretense by TBL to claim an interdependent view among the three pillars when in fact integration is not evident in practice (further mentioned in research question on systems thinking). Thirdly, the question of compliance or beyond compliance in terms of TBL adoption by corporations needed to be raised. The literature review introduced the possibility of corporations adopting a TBL way of reporting simply to satisfy external pressures and stakeholder concerns. This raised the question of whether corporations simply adopted TBL to be compliant or whether they believed TBL would take them beyond compliance. Fourthly, the area of social measurement is one that TBL completely missed its mark on. Social accounting is still a work in progress, and the creation of TBL was exciting in part due to its stance on making social accounting procedures more robust. To reiterate from the literature review, TBL was constructed on two fundamental claims: the 'Measurement' Claim, and the 'Aggregation Claim' (Norman & Macdonald, 2003). In essence, these two claims believed that social data can and will be quantified in dollars and cents, and a bottom line figure, such as a social net profit or loss (similar to the net income of financial performance) can be achieved.

Component research question #2 (chapter 3) - What are the fundamental limitations within the TBL framework? Can this be traced to current TBL reports of corporations that follow best practice in corporate reporting?

A thorough analysis of TBL reports of corporations clearly confirms these claims to be limitations of TBL as such a figure doesn't exist. Had TBL provided a formula to achieve this figure, then the level of criticism would be focused more on the reliability of the formula rather than the principles of TBL. However, TBL's powers as a metaphor and nothing more reiterate the lack of social measurement within this framework.

Component research question #3 (chapter 5) - What level of significance is placed upon the concept of TBL in corporate reporting; in particular what are the main motivations behind the employees in charge of conducting TBL reporting to adopt this concept?

The data gathered through the interviews conducted with forty corporations confirmed the limitations mentioned in the literature review. A broad overview from the data findings shows corporations starting to think beyond TBL as a framework for corporate reporting. A major part of the analysis of TBL reporting at the forty corporations revolved around the usage of the TBL framework to serve their desire to be transparent and accountable. The TBL framework served as a status symbol for many corporations in terms of reporting and engagement with stakeholders.

Considering TBL as a metaphor rather than a robust accounting metric makes business sense as it economically justifies the decision making process economically as well as politically, i.e. their decision to accept or reject proposals and policies that allows the organization to continue its license to operate. A lack of objectivity, integration, social measurement, and holism are some of the answers given by the sustainability executives at the ethical corporations for thinking beyond TBL.

Component research question #4 (chapter 6) - Is there a linkage between TBL adoption and enhanced corporate reputation and legitimacy in the perceptions of the managers who create TBL reports?

TBL has functioned as a strategic tool in driving corporations to disclose their non-financial information and portray themselves as being more socially responsible. Due to various limitations within the framework, TBL has not delivered on a robust, tangible benefit or outcome that corporations can map directly back to their TBL reporting practices. However, the competitive advantage that corporations have garnered through TBL is strictly intangible in the

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form of enhanced reputation, legitimacy, improved corporate image and identity, and brand. Minimizing risk through bad publicity, being a good corporate citizen, and having a healthy relationship with stakeholders through the channel of TBL allows corporations to enjoy intangible benefits which also translate into a selection/inclusion on a major ethical index such as the DJSI. However, at present, corporations are raising the topic of integration and aim to understand the relevance of their CSR activities to their corporate strategy, rather than simply addressing stakeholder concerns. A realization of the importance of how addressing stakeholder concerns and linking it to corporate strategy go hand in hand have made corporations have serious doubts about TBL and thus further enforce the fact that TBL reporting practices are ancient history.

The forty corporations have certainly correlated increased reputation and legitimacy to TBL. Stakeholders are more aware of the environmental and social impacts that corporations have through their operations and the need for increased transparency and accountability has forced corporations to adopt TBL as a framework for reporting. While TBL cannot provide an integrated view of the three dimensions (just one of many limitations), it has addressed the instrumental concern of stakeholders regarding their knowledge on environmental and social degradation, as well as their normative concerns regarding the subject of ethics and accountability for unsustainable actions. In terms of legitimacy, a certain level of regulations, government interference, stakeholder pressures, and bad press have all made corporations adopt TBL, making the framework a legitimizing tool.

Component research question #5 (chapter 7) - Do managers believe that TBL has helped corporations improve and evolve with their non-financial reporting systems, principles and practices, or impeded, hurt and stalled their journey?

The fifth paper investigated the level at which TBL aided corporations to evolve with their non-financial reporting practices. Corporations move from a phase of having a reactive approach, compliance driven, to embedding sustainability into their corporate strategy, and ultimately

driving towards an integrated approach. Five stages of non-financial reporting, similar to Dunphy et al. (2003)'s model, was created in this paper; in addition, six major dimensions of non-financial reporting were identified to be the key drivers. Hence, the paper looks at TBL through the lens of each of the six dimensions, within each stage, to better understand whether TBL impacts or negates the six dimensions, which would ultimately determine whether corporations evolve or remain along the five stages.

The findings show that while TBL does not apply to corporations who are doing nothing about non-financial reporting or sustainability, it has also not helped corporations to integrate reporting with their overall business strategy. None of the forty corporations stated that they were at the fifth stage, a fully integrated approach. However, a number of corporations believed TBL paved the way for corporations to begin their non-financial reporting programs, and can be viewed as more of a progress report rather than a driver. The topic of compliance relates to the second stage of the five stage model, 'transparent and accountable'. The data shows how TBL has pushed corporations to be compliant which concurs with findings in previous papers in this thesis.

8.3 Implications for future research needs

Two future research agendas are highlighted below: (1) the need to conduct further case studies into TBL reporting at public, private and non-governmental corporations; and (2) further research to improve the understanding of whether TBL reporting can lead to improvements in sustainability and CSR.

Is the Triple Bottom Line reporting framework flawed or can it be developed to a higher state?

Based on the data analysis and the literature review, the TBL framework is fundamentally flawed, in terms of its principles and methodology. The findings show that in order to develop the TBL to higher state, principles in 'integration' and 'social measurement' need to be addressed. The GRI has incorporated indicators for social measurement but the ability to

quantify and integrate this with financial information is still a work in progress. Hence, rather than developing the TBL into a higher state, developing a new framework/methodology would be a more robust mission.

8.4 Limitations within the research

Firstly, the sample size in this thesis is not representative or large enough of the entire set of corporations in the world. Forty corporations agreed to participate in the interviews and hence, considering the difficulty in getting corporate participation, forty interviews were selected as the final number for the sample size. Secondly, the non-financial reporting process or TBL reporting process tend to be conducted and developed by a sustainability team within an organization, rather than by just an individual. The interviews conducted in this research paper are with the Head of the sustainability departments at each organization and hence this is a potential limitation in terms of understanding the semiotic powers of TBL. For this paper, the research is conducted through the lens of an individual as he/she speaks for the whole team. However, an area for future research is to conduct interviews with each member of the sustainability team within the organization in order to get a broader, more definitive understanding of TBL's role in organizational culture for non-financial reporting.

Enhancing CSR and sustainability through strategic frameworks such as TBL

A majority of the discourse today is focused on the private sector to develop solutions to current problems in non-financial reporting. The threat is that unconstrained commercially driven corporate activities can lead to a focus on technological innovation that will boost the profitability for the corporation that made the investment. Since actions to improve reporting practices would come at a price or cost, pursuing these actions will benefit those with greater financial capital resources. Future research needs to be aimed at identifying the implications of the 'goodwill' of non-financial reporting strategies, and the main driver behind its implementation. From a broad perspective, it is futile to pursue a strategy like TBL reporting if all it does is facilitate continuous concentration of wealth and means of production as this has no positive effect on the long term goals of a sustainable society. Researchers should contribute

to alternative and innovative visions not only to enhance corporate reporting processes, but also on how we as a society build and manage our economies in terms of resource and wealth distribution and management.

The combined lessons of institutional theory, stakeholder theory, reputation, and legitimacy theory to an empirical investigation into the process and outcomes of TBL have been useful. Institutional theory has been an important lens to analyze TBL as it is an important institution in corporate reporting practice. Having been introduced in the early 1990's, its prevalence in corporate reporting practices show how it has been institutionalized and embedded as a framework for sustainability. Stakeholder theory has also been important to analyze TBL, especially under stakeholders' normative and instrumental concerns. The desire of corporations to become more transparent and accountable to satisfy concerns and pressures from stakeholder groups led to the advent and even the endurance of the TBL. This in turn reinforces the importance of reputation and legitimacy of TBL to corporations. Reputation, in the form of enhanced corporate image and identity, trustworthiness, inclusion on ethical indexes are attributed to TBL. Under the lens of legitimacy, corporations view the need to maintain their licence to operate. Hence, cognitive legitimacy (corporate desire to be truthful), and socio-political legitimacy (governmental mandates and pressures) have played a pivotal role in institutionalizing TBL as part of the reporting system in corporations across the globe. The empirical analysis has provided a useful example of the type of research that those in the accountancy field have been hoping to see: one that documents and theorizes the field experiences of the researcher. There is hope that the emergence of opportunities to engage in or learn about similar types of empirical/case-study research experiences related to the process of TBL reporting will continue to unfold in the near future. An interesting topic would be to look at the research and discussions assist in broader agenda of non-financial reporting, and hope to see a more practical and integrated framework that allows corporations and societies enhance their capacity in managing and reporting on their continuous dependence on planet earth in a transparent, honest and sustainable manner.

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Appendices

1. List of interview questions

Interview questions

- 1) What does the triple bottom line mean for your business, and why is it important?
 - 2) Do you see it as a metaphor or a new accounting metric?
 - 3) Does TBL guide you to be compliant and did you have think beyond TBL to go beyond compliance?
 - 4) What are the core characteristics of a TBL report in your corporation?
 - 5) What were the main benefits of TBL reporting: tangible vs. intangible?
 - 6) How important is it to be ranked on sustainability indexes?
 - 7) Have you experienced problems implementing TBL reporting?
 - 8) Are there any integrating methods that your company has that make the TBL data more readable?
 - 9) Do you choose indicators to measure key concerns of stakeholders, or do you choose indicators that are important for key strategic business decisions?
 - 10) To what extent does the corporation focus on the social dimension of the TBL?
 - 11) Do you have a social net profit or loss; would you like to have one?
 - 12) What stage are you in the reporting system:
 - a) *stand back and wait approach*
 - b) *transparent and accountable*
 - c) *alignment with stakeholder expectations and corporate strategy*
 - d) *build system based on stakeholder expectations*
 - e) *a fully integrated approach*
 - 13) How would you define a fully integrated approach?
 - 14) Which factor drives your desire to become socially responsible and embrace sustainable development and TBL reporting: prosperity of the corporation, or greater responsibility which drives prosperity?
 - 15) How important has leadership been for driving sustainability reporting?
 - 16) Is there anything that you don't prefer to report on but are motivated to report?
 - 17) How would you like to see reporting evolve at your corporation?
-

2. TBL's importance to corporations

Company Coding	TBL mentions	Q1- Importance	Q2- Metaphor/Accounting Metric
A1	0	Not important	Metaphor
A2	0	Only bottom line	Metaphor
A3	0	Engagement process	Metaphor
B1	0	Balancing act	Metaphor
B2	0	Follow competitors	Metaphor
C1	0	Raised awareness	Metaphor
C2	0	No meaning to us	Metaphor
C3	0	Don't limit to TBL	Metaphor
C4	0	Meaningless phrase	Metaphor
E1	0	License to operate	Metaphor
F1	0	Not in the language	Metaphor
F2	0	Awareness of CR	Metaphor
F3	0	Never TBL; Stakeholder impact report	Metaphor
H1	0	None; GRI because other companies use it	Metaphor
H2	0	Beyond TBL	Metaphor
I1	0	Compliance process	Metaphor
I2	0	External pressures	Metaphor
I3	0	Not in the language	Metaphor
I4	0	No TBL; outcome focused	Metaphor
I5	0	Broader perspective	Metaphor
I6	0	Broader perspective	Metaphor
I7	0	Use corporate citizenship, not TBL	Metaphor
M1	0	5 domains- no TBL	Metaphor
M2	0	Follow competitors	Metaphor
M3	0	Engagement process	Metaphor
M4	0	TBL was reactive; now more proactive	Metaphor
M5	0	Good starting framework	Metaphor
P1	0	Beyond TBL; more holistic	Metaphor
R1	0	Raised awareness	Metaphor
R2	0	Materiality	Metaphor
R3	0	Not a driver	Metaphor
R4	0	Raised awareness	Metaphor
T1	0	Outdated concept	Metaphor
T2	0	External pressures; trend from businesses	Metaphor
T3	0	Business benefits	Metaphor
T4	0	Pinning business costs on env/soc	Metaphor
T5	0	Compliance	Metaphor
T6	0	Compliance process	Metaphor
T7	0	External pressures	Metaphor
U1	0	Compliance process	Metaphor

3. TBL as a reputational factor

Company Coding	Q3- Compliance/Beyond Compliance	Q5- Tangible vs Intangible benefits	Q6- Ranking importance?	Q9- Stakeholder focus or corporate strategy?
A1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
A2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
A3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
B1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
B2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	No (due to merger)	Combination
C1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	No (change in CEO)	Combination
C2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
C3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
C4	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
E1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
F1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
F2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
F3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
H1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
H2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I4	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I5	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I6	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
I7	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
M1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
M2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	No	Combination
M3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
M4	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
M5	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
P1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
R1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
R2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
R3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
R4	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
T1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
T2	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
T3	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
T4	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
T5	Compliance	Intangible benefits: reputation, legitimacy, image etc.	No	Combination
T6	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination
T7	Compliance	Intangible benefits: reputation, legitimacy, image etc.	No	Combination
U1	Compliance	Intangible benefits: reputation, legitimacy, image etc.	Yes	Combination

4. Integration and social measurement of TBL

Company Coding	Q8- Full Integration	Q10- Importance of social area?	Q11-Social net profit/loss?
A1	No	Yes	No; too many assumptions
A2	No	Yes	No
A3	No	Yes	No; not our problem
B1	No	Yes	No; little value
B2	No	Yes	No
C1	No	Yes	No
C2	No	Yes; less than environment	No
C3	No	Not major concern	No
C4	No	Yes	No
E1	No	Yes	No; treat people as people
F1	No	Yes	No
F2	No	Yes	No; not an algorithm
F3	No	Yes	No
H1	No	Yes	No
H2	No	Yes	No; cannot be precise
I1	No	Yes	No
I2	No	Yes	No- not meaningful
I3	No	Yes	No- good for benchmarking but no real purpose
I4	No	Yes; less than environment	No
I5	No	Yes; less than environment	No; little value
I6	No	Yes	No
I7	No	51% environment; 49% social	Dangerous
M1	No	Yes; less than environment	No; should not be financial
M2	No	Yes	No- not useful
M3	No	Yes	No
M4	No	Yes	No; too many assumptions
M5	No	Yes	No
P1	No	Yes	Ludicrous
R1	No	Yes; measure what can be measured	No
R2	No	Yes	No; more of a story
R3	No	Yes	No
R4	No	Yes; measure what can be measured	No
T1	No	Yes	No
T2	No	Yes	No
T3	No	Yes	No
T4	No	Yes	No value for business
T5	No	Yes; less than environment	Unconsciously incompetent
T6	No	Yes	No
T7	No	Only safety; Environment is more important	No idea
U1	No	Yes	No

5. Motivation and future of reporting

Company Coding	Q14- Prosperity or Responsibility?	Q17- Future
A1	TBL drove Prosperity; Beyond TBL drives Responsibility	Automation; online
A2	TBL drove Prosperity; Beyond TBL drives Responsibility	Certain level of integration; still tell a story
A3	TBL drove Prosperity; Beyond TBL drives Responsibility	Life cycle approach
B1	TBL drove Prosperity; Beyond TBL drives Responsibility	Accountability rather than materiality
B2	TBL drove Prosperity; Beyond TBL drives Responsibility	Bringing information together
C1	Leadership; prosperity; stakeholder pressures	Backwards to compliance
C2	TBL drove Prosperity; Beyond TBL drives Responsibility	Stakeholder assessment
C3	TBL drove Prosperity; Beyond TBL drives Responsibility	Materiality; embedding into culture
C4	TBL drove Prosperity; Beyond TBL drives Responsibility	Work as a whole
E1	TBL drove Prosperity; Beyond TBL drives Responsibility	Engagement and feedback
F1	TBL drove Prosperity; Beyond TBL drives Responsibility	Accountability and transparency
F2	TBL drove Prosperity; Beyond TBL drives Responsibility	Ongoing process; online
F3	TBL drove Prosperity; Beyond TBL drives Responsibility	Integrated reporting
H1	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration; timing by alignment
H2	TBL drove Prosperity; Beyond TBL drives Responsibility	Alignment to strategic priorities
I1	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration
I2	TBL drove Prosperity; Beyond TBL drives Responsibility	Stated goals; less fuzz
I3	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration; social accounting
I4	TBL drove Prosperity; Beyond TBL drives Responsibility	Process focused approach
I5	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration; social accounting
I6	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration; regulation
I7	TBL drove Prosperity; Beyond TBL drives Responsibility	Stakeholder feedback; quantitative results
M1	TBL drove Prosperity; Beyond TBL drives Responsibility	Fixed and quantitative (for social)
M2	TBL drove Prosperity; Beyond TBL drives Responsibility	Having a standalone report
M3	TBL drove Prosperity; Beyond TBL drives Responsibility	See the value added
M4	TBL drove Prosperity; Beyond TBL drives Responsibility	Improve internally; innovation management
M5	TBL drove Prosperity; Beyond TBL drives Responsibility	Embedding sustainability into corporate culture
P1	TBL drove Prosperity; Beyond TBL drives Responsibility	Embedding sustainability into corporate culture
R1	TBL drove Prosperity; Beyond TBL drives Responsibility	Stakeholder engagement; ethical sourcing
R2	TBL drove Prosperity; Beyond TBL drives Responsibility	Embedded; real time
R3	TBL drove Prosperity; Beyond TBL drives Responsibility	Embedding sustainability into corporate culture
R4	TBL drove Prosperity; Beyond TBL drives Responsibility	Stakeholder engagement; ethical sourcing
T1	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration; assurance
T2	90% compliance driven; 10% responsibility	Embedding sustainability into corporate culture
T3	TBL drove Prosperity; Beyond TBL drives Responsibility	Impacts; stakeholder engagement; online
T4	TBL drove Prosperity; Beyond TBL drives Responsibility	Automation
T5	TBL drove Prosperity; Beyond TBL drives Responsibility	Transparency; economic perspectives
T6	TBL drove Prosperity; Beyond TBL drives Responsibility	Integration; materiality
T7	TBL drove Prosperity; Beyond TBL drives Responsibility	New company so baby steps
U1	TBL drove Prosperity; Beyond TBL drives Responsibility	Stakeholder feedback; quantitative results

6. Information and consent form for interviews

Information and Consent Form

Name of Project: Empirical investigation into the TBL reporting system of International corporations

You are invited to participate in a study of the non-financial reporting systems in Australia corporations. The purpose of the study is to investigate the underlying meaning and principles behind the CSR reporting systems, with a focus on the Triple Bottom Line approach. The study is being conducted by Kaushik Sridhar, a Doctoral Scholar at the Macquarie Graduate School of Management. His contact number is 0406682925, and email address is Kaushik.Sridhar@students.mq.edu.au. The research is being conducted to meet the requirements for the PhD in management degree, under the supervision of Professor Grant Jones. He is the Senior Lecturer at the Macquarie Graduate School of Management. His office phone number is 98509099, and his email address is Grant.Jones@mgs.mq.edu.au.

If you decide to participate, you will be asked to talk about the tasks and procedures involved in developing the CSR reports for the company, the focus that the organization has on the Triple Bottom Line reporting approach, and various other related questions regarding your organization's sustainability practices. The interview will be expected to last between 60-90 minutes. The use of a voice recorder will be present during the interviews. Any information or personal details gathered in the course of the study are confidential. No individual or company name will be identified in any publication of the results. Once the results from the interviews have been analyzed, the paper will be written up discussing the key findings from these results. Upon completion of the paper, it will be submitted for publication in a top-tier journal in management. The chief investigator, Kaushik Sridhar, and his PhD supervisor, Professor Grant Jones are the only individuals who will have access to the data. Once the results are concluded, a copy of the final paper that contains the results will be sent to each participant.

If you decide to participate, you are free to withdraw from further participation in the research at any time without having to give a reason and without consequence.

I, _____, have read and understand the information above and any questions I have asked have been answered to my satisfaction. I agree to participate in this research, knowing that I can withdraw from further participation in the research at any time without consequence. I have been given a copy of this form to keep.

Participant's Name:
(block letters)

Participant's Signature: _____ Date: _____

Investigator's Name:
(block letters)

Investigator's Signature: _____ Date: _____

The ethical aspects of this study have been approved by the Macquarie University Ethics Review Committee (Human Research). If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Ethics Review Committee through its Secretary (telephone 9850 7854; email ethics@mq.edu.au). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

(INVESTIGATOR'S/PARTICIPANT'S COPY)

7. Paper #1- Publication #1 (1st page of IJBGE article)

A multi-dimensional criticism of the Triple Bottom Line reporting approach

Kaushik Sridhar

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Abstract: While the Triple Bottom Line (TBL) approach has triggered a sense of shift in ways companies think about sustainable reporting, there are still many limitations within TBL. The fundamental roots of TBL are ingrained in a quantitative framework and have no sense of integration or a systemic approach to viewing problems. The main purpose of this paper is to provide a critical review of the TBL approach and its weaknesses. The paper provides a detailed literature review of the evolution of TBL, and then shifts towards the limitations of TBL especially in terms of measurement and the lack of systemic thinking.

Keywords: TBL; triple bottom line; institutional theory; sustainable reporting; measurement; compliance; systems thinking; CSR; corporate social responsibility; environmental sustainability; corporate reporting; social sustainability; metaphor.

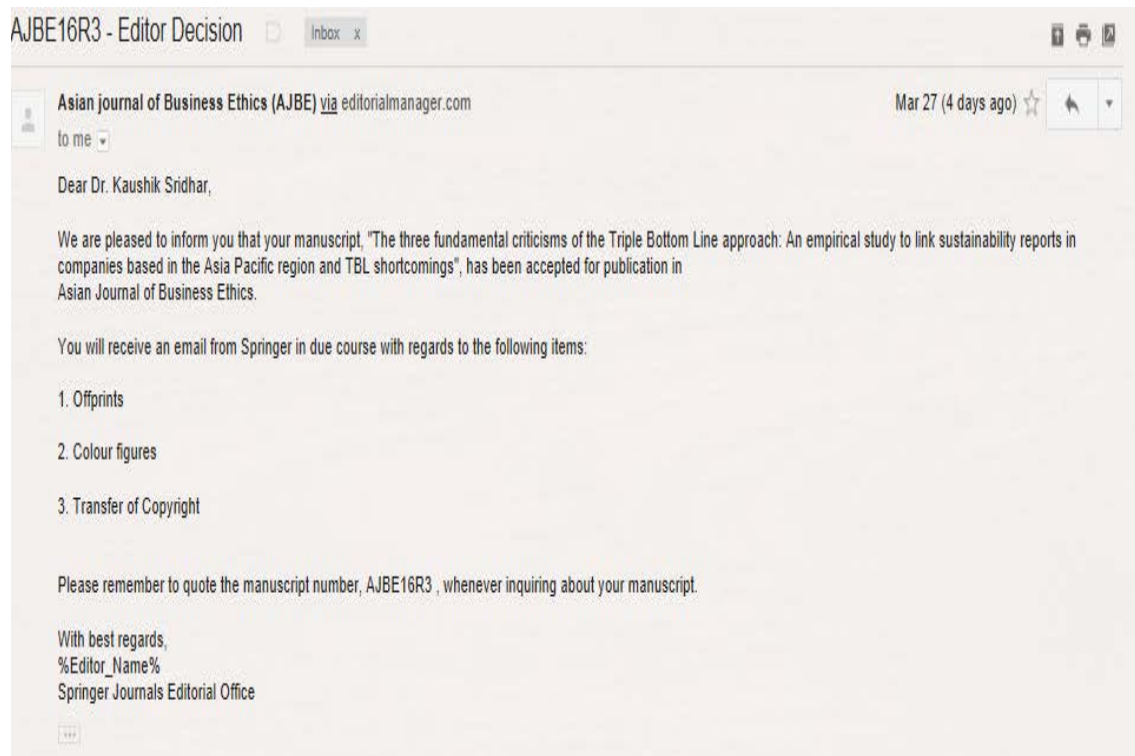
Reference to this paper should be made as follows: Sridhar, K. (2011) 'A multi-dimensional criticism of the Triple Bottom Line reporting approach', *Int. J. Business Governance and Ethics*, Vol. 6, No. 1, pp.49-67.

Biographical notes: Kaushik Sridhar is a Doctoral Scholar (PhD) at the Macquarie Graduate School of Management. His thesis is in the area of sustainability reporting, and the primary focus is on the triple bottom line approach and its weakness/limitations. At the end of his thesis, he would like to come up with an alternative approach to the TBL, or simply improve the TBL approach, in terms of its measurement. Since commencing the PhD, he has published 10 papers in international journals and two papers at an international conference.

1 Introduction

Sustainability is the ability of our planet's biological systems to sustain and be productive constantly. The planet needs to be able to withstand the effects of man-made creations and emissions and be able to regenerate itself to not only make itself last but also allow the living things within the planet to last. The usage of resources that satisfy human needs while also preserving the environment to make sure that present as well as future generations will have access to the resources is known as sustainable development. The management of an organisation possesses the responsibility of maintaining society's economic resources, which consist primarily of natural and human resources. In order for

8. Paper #2- Publication #2 (Acceptance letter from Asian Journal of Business Ethics)



9. Paper #3- Publication #3 (1st page from Interdisciplinary Environmental Review article)

64 *Interdisciplinary Environmental Review, Vol. 13, No. 1, 2012*

Critical reflections of the triple bottom line as a schema for reporting: a practitioners' view

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Abstract: Triple bottom line (TBL) reporting has become a way of life in terms of non-financial reporting at major corporations. However, its utility in terms of value-add for these corporations seems to be a mystery at present. This paper aims to look at how corporations use the TBL as a framework for reporting and what limitations key members of these corporations see with the TBL approach. In particular, the motivation behind the employee in charge of conducting non-financial reporting and providing sustainability information has been identified. The paper analyses the results of an empirical investigation into the constructions people put on the triple bottom line framework, and its utility in making sustainability information public, either through standalone reports, annual reports, or online reporting. The main purpose of the analysis was to focus upon issues and factors that drove TBL practices and reporting within a sample size of 40 corporations around the world, considered to be best practices adopters in non-financial reporting.

Keywords: triple bottom line; TBL; non-financial reporting; corporate governance; corporate social responsibility; integration; institutional theory; stakeholders; legitimacy; leadership; compliance; ranking; benefits; social measurement; reputation.

Reference to this paper should be made as follows: Sridhar, K. and Jones, G. (2012) 'Critical reflections of the triple bottom line as a schema for reporting: a practitioners' view', *Interdisciplinary Environmental Review*, Vol. 13, No. 1, pp.64–88.

Biographical notes: Kaushik Sridhar is an Environmental Consultant at Net Balance Management Group in Sydney, Australia. He recently did his PhD at the Macquarie Graduate School of Management, Macquarie University. His thesis was in the area of non-financial reporting, and the primary focus was on the triple bottom line approach, and its weakness/limitations. He has published 18 papers in international journals and presented four papers at international conferences in Auckland, Bangkok, and Paris.

The Relationship between the Adoption of Triple Bottom Line and Enhanced Corporate Reputation and Legitimacy

Kaushik Sridhar

Net Balance Management Group, Sydney, Australia

ABSTRACT

Triple bottom line (TBL) reporting has been a revolutionary non-financial reporting framework that corporations have certainly accepted into their culture. However, the level of tangible results from TBL reporting is still not evident in the literature or even in corporate reports. The research problem upon which this study is conducted is to investigate the effects of triple bottom line reporting and how it affects the relationship between organizations and their stakeholders, as well as on the reputation of organizations and whether it affects their financial performance. This study has looked at 40 organizations and their sustainability-reporting processes during the period 2009–2010 mainly focusing on their TBL adoption. Corporations constantly mention holism as being an essential part of their sustainability initiatives; TBL seems to be still fostering an economically oriented paradigm in corporations rather than pushing the holistic paradigm, and this claim needs to be justified through interviews conducted. Finally, the level of reputational enhancement that TBL has given corporations needs to be investigated qualitatively. Are organizations adopting TBL primarily to reduce the battering they might take if they do not portray a sense of being socially and environmentally responsible, or do they see a greater benefit from TBL itself? The results from this paper conclude that TBL reporting is a mechanism boosting organizational credentials that input into organizations a cognitive

validity, a status boost, and develop their reputation.

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doi:10.1057/crr.2012.4

KEYWORDS: competitive advantage; legitimacy; reputation; triple bottom line

INTRODUCTION

Corporations have a moral obligation toward their stakeholders in terms of their environmental and social activities and impacts. Research stresses the concept of corporate social responsibility (CSR) to justify arguments as to why corporations should point their attention toward more socially responsible actions (Zadek and McIntosh, 2002; Savitz and Weber, 2006). CSR defines the consideration of corporations toward various stakeholders and the impact it has on the community, moving beyond the usual focus on maximizing shareholder returns (Bishop and Beckett, 2000). During the period of global recession, it would have been safe to assume that the business community would be more preoccupied on financial and economic matters rather than social matters. However, the growing importance of social issues has emerged as a strong catalyst for corporate commitment toward environmental and social performance. Corporations have subscribed increasingly toward the principles of transparency and accountability by disclosing their non-financial performance

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11. Paper #5- Publication #5 (1st page of Asian Journal of Business Ethics article)

ORIGINAL PAPER

Is the Triple Bottom Line a restrictive framework for non-financial reporting?

Kaushik Sridhar

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Abstract The purpose of this paper is to empirically analyse the developmental stages of non-financial reporting in corporations, by interpreting the views of interviewees from major ethical corporations on the six major dimensions of non-financial reporting (identified in the literature) within each stage of the five-stage model of non-financial reporting (developed in this paper). This study is part of a series of papers on Triple Bottom Line reporting (TBL), and its relevance to corporate reporting practices. The TBL is perhaps the pioneer for getting corporations thinking about non-financial reporting. While literature has been done extensively on the TBL framework, empirical data linking TBL and how it has helped, or even hindered corporations progressing through different stages in their non-financial reporting processes is missing. In order to facilitate this analysis, 40 interviews were conducted over 1 year, with 40 corporations selected from various sustainability indexes, focusing on corporations that adopt best practices in this area, and also have a TBL approach to non-financial reporting. The results of the analysis show that TBL certainly got corporations started in the journey of non-financial reporting but has not pushed them far enough to develop a more integrated approach to reporting nor clearly aligning their non-financial reporting performance with their financial performance and business strategy.

Keywords Triple Bottom Line · Stages · Non-financial reporting · Corporate social responsibility · Sustainability · Denial · Integration · Stakeholders · Transparency · Accountability · Leadership · Strategy · Disclosure · Corporate culture

Introduction

In the current economic climate, the traditional and basic accounting frameworks do not represent the holistic performance of a corporation. Non-financial accounting

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 Springer

12. Macquarie University Ethics Approval Letter

MACQUARIE
UNIVERSITY



Ethics Secretariat
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Email patricia.clifford@efs.mq.edu.au

21 January 2010

Mr Kaushik Sridhar
156/122 Culloden Road
MARSFIELD NSW 2122

Reference: 520093512(D) - Sridhar

Dear Mr Sridhar

RE: FINAL APPROVAL

Title of project: "An Empirical Investigation into the Triple Bottom Line reporting systems of Australian organisations; a qualitative interviewing approach"

Thank you for your recent correspondence. Your response has addressed the issues raised by the Ethics Review Committee (Business & Economics) and you may now commence your research.

Please note the following standard requirements of approval:

1. Approval will be for period of twelve (12) months. At the end of this period, if the project has been completed, abandoned, discontinued or not commenced for any reason, you are required to submit a Final Report on the project. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. The Final Report is available at: http://www.research.mq.edu.au/researchers/ethics/human_ethics/forms
 2. However, at the end of the 12 month period if the project is still current you should instead submit an application for renewal of the approval if the project has run for less than five (5) years. This form is available at http://www.research.mq.edu.au/researchers/ethics/human_ethics/forms. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report (see Point 1 above) and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).
 3. Please remember the Committee must be notified of any alteration to the project.
-
4. You must notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that might affect continued ethical acceptability of the project.
 5. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University
http://www.research.mq.edu.au/researchers/ethics/human_ethics/policy

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide Macquarie University's Research Grants Officer with a copy of this letter as soon as possible. The Research Grants Officer will not inform external funding agencies that you have final approval for your project and funds will not be released until the Research Grants Officer has received a copy of this final approval letter.

Yours sincerely

Julie Zetler
Chair, Ethics Review Committee
(Business & Economics)