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TRIPLE BOTTOM LINE (TBL)

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Abstract:

Reporting is one of the critical parts in corporate reporting. Traditional reporting was restricted to financial perspective only. In due course, it has been observed that mere reporting of financial data is not proving worthy in assessing the performance of a business. Hence the reporting by corporate is extended to 3P's also known as Triple Bottom line. Profit is more of traditional reporting tool, while people and planets are equally essential in TPL reporting. Key advantages in enactment of Triple bottom line are value enhancement, attracting and retaining high-performing workers etc. Though very significant to have a TBL but various challenges still exit in using TBL.

Introduction:

John Elkington, the founder of the British consultancy 'Sustain Ability,' developed the concept "triple bottom line" in 1994.In his work, 'Cannibals with Forks: The Triple Bottom Line of 21st Century Business,' in 1997 he expanded further on this idea. The word 'Triple Bottom Line' is made up of two technical terms: 'Triple' and 'Bottom Line.' **Bottom Line**: The "bottom line" in conventional accounting and common parlance refers to either the "operating result," which is usually reported at the income statements very last line (or bottom). Environmentalists and social justice activists have been challenged in recent decades to bring a wider definition of "bottom line" into the public consciousness by incorporating complete cost accounting. **Triple**: The Triple Bottom Line description demands an enterprise to assess and communicate on three magnitudes of performance: social, environmental, and economic/financial. For instance, a chemical manufacturing plant has reported a financial profit during particular financial year. During this period their production might have triggered poor health effects on society and adulterate the adjacent aquatic reserves. Due to this activity of a chemical manufacturing plant the government may end up outlay the taxpayer money on health care and environmental clean-up

The critical question that has been emerges the in the minds of the advocates of full-cost accounting is 'How do we conduct a comprehensive social cost-benefit analysis?' The triple bottom line adds two more "bottom lines" to this equation, namely, social and environmental (ecological) considerations. As a result, the notion of the 'triple bottom line' has three dimensions: 'social equity,' 'economic factors,' and 'environmental factors.' To put it another way, the triple bottom line (TBL) is made up of three Ps: profit, people, and the planet. Its goal is to monitor the corporation's financial, social, and environmental performance over a period of time. At the most basic level, triple bottom line thinking connects an organization's social and environmental effects to its financial success. As a consequence, it's also known as "TBL," "3BL," "People, Planet, Profit," and "The Three Pillars." However, TBL does not suggest that businesses must optimize returns in all three dimensions of performance; in terms of corporate performance, it is generally accepted that financial performance is the most significant factor in evaluating a company's success.

CONCEPT OF TRIPLE BOTTOM LINE REPORTING:

Triple bottom line reporting (TBLR) proliferates the old-style reporting context to consider the performances of social and environmental issues in addition to economic performance. The idea of Triple bottom line reporting is encouraging that reporting should include the social, environmental and financial performance of an enterprise Triple bottom line reporting (TBLR) talk about to the publication of economic, environmental and social data in a cohesive routine that reproduces happenings and results across these three measurements of an enterprise's performance. Triple Bottom Line Reporting demands that organizations should have to report on three dissimilar 'bottom lines' which are fairly distinctive from each other, but at the same time related from one another.

The three Bottom Lines are mentioned below:

a) The bottom line of the "income statement" has occurred to be the first (primary) bottom line in triple bottom line concept. Income statement is the old-style measure of operational outcome
b) How enterprises have been publicly accountable during its procedures, this is quantifiable in particular profile or system. Therefore, an enterprise "people account" is the second bottom line.
c) The third bottom line Enterprise "planet account" is one which dealings how environmentally accountable the company has been throughout its operations.

Therefore, only a corporation that harvests Triple bottom line reporting (TBLR) is taking account of the full cost involved in doing business

ADVANTAGES OF TRIPLE BOTTOM LINE REPORTING:

The advantages developing from triple bottom line reporting are discussed hereunder:

1) Reputation and value enhancement: The way an organisation is viewed by its stakeholders determines its corporate image. Good contact with stakeholders on one or more of the environmental, social, or economic dimensions can help you handle stakeholder expectations and protect and improve your company's credibility.

2) Obtaining a social permit to operate: A 'permit to operate' is not a piece of paper, but rather unofficial group and stakeholder support for a company's operations. Company, particularly in the resources sector, is increasingly realizing the connection between ongoing business performance and its "permit to operate." Securing and retaining a "licence to operate" also necessitates communication with stakeholders. Companies that communicate freely and frankly about their management and success in relation to environmental, social, and economic factors are more likely to gain community and stakeholder support.

3) Attracting and retaining high-performing workers: Employees, both current and prospective, have perceptions regarding a company's environmental, social, and economic conduct, and weigh these considerations when determining whether or not to work for it. Publication of TBL-related details can help an employer position itself as a "employer of choice," which can boost employee satisfaction, lower turnover, and improve a company's ability to recruit top talent.

4) Entry to the investor market has been improved: Environmental and social considerations are increasingly being considered by investors in their decision-making processes. This can be seen in the rise of socially responsible investing and shareholder activism. Responding to investor requests for TBL-related information ensures that the company's contact with this stakeholder community is matched, thereby increasing the company's appeal to this segment of the investment market.

5) **Establish position as a favorite vendor**: One way to develop the status of preferred supplier is to take a unique position in the market. Communicating effectively with stakeholder groups on environmental, social, and economic concerns is crucial to creating a distinct market place.

6) Reduced risk profile: A growing body of evidence suggests that a company's success in terms of economic, social, and environmental variables has the potential to influence market participants' perceptions of risk exposure and management. TBL reporting helps an organisation to indicate that it is committed to successfully handling those variables and to communicate its success in these areas. A company's overall risk management approach will benefit from a communication policy that tackles these issues.

7) Identification of Cost-cutting opportunities: TBL reporting also entails the gathering, collation, and review of data on resource and material use, as well as the evaluation of business processes. This, for instance, will help an organisation to find cost-cutting opportunities by making better use of resources and materials.

8) Increased scope for innovation: The alignment of R&D operation with stakeholder expectations will help to speed up the production of new products and services. Companies will link with stakeholders and consider their interests and concerns through the process of dissemination TBL reporting.

9) Line up stakeholder desires with management emphasis: Management emphasis is based on not just the accuracy of the data but also the continuous development of the metric being reported as data is reported externally.

10) Design of comprehensive foundation for stakeholder channel of communication: TBL reporting is made available, and offers a powerful forum for communication with stakeholders. Understanding the needs of stakeholders and aligning company results with those needs is critical to business success. TBL reporting shows to stakeholders that the organisation is committed to monitoring all of its impacts and, as a result, provides a solid framework for stakeholder dialogue. The decision to be publicly accountable for environmental and social success is also recognized as a powerful catalyst of internal behavioral change, in addition to the benefits gained from superior partnerships with key stakeholder groups. Executives will be able to recognize and concentrate attention on particular aspects of corporate performance where change is needed thanks to the availability of relevant information on economic, environmental, and social performance that was previously inaccessible in an easily understandable format.

ENACTMENT OF TRIPLE BOTTOM LINE REPORTING:

If TBL reporting is not consistent with the reporting company's overall business plan, it will be of no value to the reporting company or its stakeholders. The decision to move to full TBL reporting should not be rushed. Since it can have significant resource ramifications, it requires senior management endorsement and dedication, and a half-hearted response is likely to be much worse than not introducing it at all.

Policy for enactment: Acute concerns for attention in the advance and enactment of TBL reporting consist of:

- Perfect explanation of the role of TBL reporting in dynamic planned corporate goals;
- Instituting the resource and cost necessities;
- Responsiveness of linked lawful consequences; and
- Understanding the risks included in publishing TBL statistics.

Key Challenges for Enactment: The crucial challenges for enactment of TBL reporting context are:

- Pre-understanding of pertinent matters linked with TBL reporting;
- Understanding stakeholder requirements;
- Bring into line TBL reporting with goals and risks; and
- Determining and computing performance indicators.

METHODS OF TBL REPORTING: Companies considering TBL reporting have a variety of choices, ranging from the inclusion of limited TBL-related details in statutory reporting to the release of a full TBL report. Businesses are willing to weigh a variety of factors when deciding on a course of action, including:

- The strategic goals in general
- Present reporting capacity;

- Stakeholder requirements are given priority;
- The activities of reporting inside the business sector

USERS OF TBL REPORTING: The TBL can be used by a number of establishments, including corporations, non-profit establishments, and government agencies. Businesses. The TBL and its central principle of sustainability have gained traction in the business world as anecdotal proof of increased long-term profitability has accumulated. Reducing packaging waste, for example, will help save money. General Electric, Unilever, Proctor and Gamble, and 3M are only a few of the companies that have exemplified these methods. Organizations that are not for benefit; The TBL has been adopted by several non-profit institutions, and others have collaborated with private companies to resolve large sustainability concerns that concern mutual stakeholders. Companies understand that partnering with nonprofit organizations that promote economic growth, social well-being, and environmental sustainability makes good business sense. Government: The TBL and related sustainability evaluation systems are increasingly being used by national, federal, and local governments as decision-making and performance-monitoring tools.

FINANCIAL REPORTING VIS-À-VIS TRIPLE BOTTOM LINE REPORTING:

Source: Financial reporting precedes the creation of Triple Bottom Line reporting, and that is just a few decades old.

Nature: While it is mandatory for businesses to prepare and present financial reports, it is optional to prepare complete TBL reports that include social and environmental dimensions.

Opportunity: Triple bottom line reporting has a wider reach than financial reporting because it involves reporting on an organization's social and environmental results in addition to its financial performance.

Contents: The details contained in a TBL report is not the same as that found in a financial report. As a consequence of TBL reporting, environmental and social risks that have the potential to materially impact long-term financial results can be recognised and taken into account when preparing financial reports.

CHALLENGES OF TRIPLE BOTTOM LINE REPORTING FRAMEWORK: The calculation of the TBL is the key challenge in TBL Reporting. Under TBL reporting structure, the 3Ps are not calculated with any common component. Profits are communicated in financial volumes. Then is it likely to quantity social capital in it? What about ecological or environmental health? One of the difficulties is determining a standard unit of measurement. There should be monetizing all the measurements of the TBL, which consist of social prosperity or environmental loss has been suggested by some advocates of TBL concept. Although having a common monetary unit would be advantageous, it would be a significant challenge. The problem is determining the best method for determining the acceptable price for lost environmental and social value formation.

Strategic answer to the Challenge The answer encouraged by some authorities of the field has been to estimate the TBL in relations of an index. By adopting this technique, It would be feasible to reject the mismatched components issue and, as long as there is a generally accepted accounting method, it would permit for assessments between entities, for instance, linking performance amongst corporations, cities, expansion schemes or particular supplementary yardstick.

A case of an index that links a region versus the country's performance for a diversity of components is the Indiana Business Research Center's Innovation Index. Yet, there rests specific prejudice even after using an index regarding:

1) What is the weighting of the index components?

2) Will each "P" be given the same weight?

3) What about each "P's" sub-components?

4) Should they all get the same amount of attention?

5) Is the category of 'People' more important than the category of 'Planet'?

6) In this case, who will make the decision?

Another alternative is to avoid calculating sustainability in monetary terms and instead use an index. It implies that each sustainability indicator will be self-contained. For instance, Wetland development, loss, or status quo over time would be used as a metric, and progress would be reflected in terms of acres of wetlands. The disadvantage of this strategy is the abundance of metrics which may be useful in evaluating sustainability. TBL users can experience 'metric fatigue.' After addressing the complexities of estimating the TBL, we'll look at some possible metrics to use in a TBL calculation. After that, we'll talk about how companies and other establishments have used the TBL platform.

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