Trouble with the triple bottom line

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Financial Times: August 10 1998

A fundamental confusion about different kinds of value lies at the root of Shell Group's difficulties with its stakeholders.

What are we to make of the plethora of publications from big companies detailing their social and environmental performance?

At Oikos, a UK research organisation, we have been trying to digest the contents of about 25 such publications. We have been considering whether they stand up to rigorous analysis, and whether they indicate genuine progress towards sustainable development. We have also been examining how likely they are to reduce risk and facilitate future business activity.

Recently, Shell's output and accompanying activity in this area have made for especially fascinating analysis, particularly as the company is reckoned by some to be setting benchmarks for others to follow. In April, Royal Dutch/Shell Group produced the pioneering Shell Report 1998, subtitled *Profits and Principles - Does There Have to be a Choice?*

This report, it states, is "about values. It describes how we, the people, companies and businesses that make up the Shell Group, are striving to live up to our responsibilities - financial, social and environmental." These are the three dimensions of the so-called "triple bottom line" of sustainable development, against which all companies will soon be expected to account for their activities.

The following month, Shell UK published its own, derivative Report to Society. Then, last month, Royal Dutch/Shell Group published its first, externally verified health, safety and environment report, involving an audit contract worth Pounds 1.5m. On the one hand, then, we have Shell telling us of its "commitment to sustainable development", of its wish to be "good corporate citizens", and of its "concern for human rights...(and) the impacts of potential climate change". The company trumpets its five-year, Pounds 300m investment in renewable energy projects.

But on the other hand, the company's core business clearly remains the exploitation and sale of fossil fuels: a business regarded by many as ecologically perilous and socially destructive. Until last month, when Shell (and Mobil) withdrew because of disagreements with the Peruvian government about infrastructure provision, the company had been trying to secure the development of the Camisea jungle hydrocarbons deposit, one of the world's largest gas fields.

Indeed, it was using the "stakeholder consultation" processes promised in its reports to smooth access to "protected" Amazonian rainforest, home to uniquely diverse populations of indigenous peoples.

So how should we interpret such developments? On a positive note, it is clear that Shell is serious about responding to the increasing demand for greater corporate accountability. The company has even set up a four-person Social Accountability Team to distribute this agenda internally. Such signs of tangible institutional change deserve praise and encouragement.

However, one is tempted to ask whether all this work represents an especially sophisticated way for Shell to repair its battered corporate reputation, justify the continuation of its core business-as-usual, and renew its "licence to operate". Shell's problem is that it has not yet managed to set up a rigorous process by which it can claim to be interacting meaningfully with its stakeholders. The suspicion lingers that it is more interested in using stakeholder consultation for "issue management" purposes than for genuinely understanding the impact of its activities and perhaps changing its priorities.

When Oikos participated in the "stakeholder dialogue" on the proposed Camisea development, for instance, time was very limited, the processes inadequate and at no point was the company willing seriously to consider the view that it should not be there at all.

Instead, Shell has defined its responsibilities by reference to its own "values" and quite incoherent "principles". So Shell's "core values (of) honesty, integrity and respect for people" appear to translate into "business principles" including "winning and maintaining customers" and "supporting free enterprise"!

Shell says that while one of its responsibilities is "to give proper regard to . . . the environment, consistent with its commitment to sustainable development", another is "to protect shareholders' investment". But who defines "proper regard"? Presumably, there are hard choices to be made between principles and some forms of profit-making. Shell must surely understand this.

Part of the trouble lies in Shell's adoption of the concept of "the triple bottom line," as promoted by John Elkington and his environmental consultancy, SustainAbility. Although its promotion of three-dimensional accountability is important, the concept misleads companies into thinking that by somehow aggregating economic, social and environmental "value-added", they can claim both responsibility and sustainability.

The delusion is that they compensate for the "value" they are subtracting from one bottom line - the environmental, say - by "adding value" to another "bottom line" - for example the economic - even though the two forms of value are of a very different nature.

Shell should focus on coming up with meaningful stakeholder dialogue processes that would allow these different forms of value to be properly realised, compared and prioritised, with responsibilities recognised accordingly. Instead, it is concentrating on devising what SustainAbility (in collaboration with Arthur D. Little) calls "a range of total net value added metrics".

The problem with such technocracy is that it obfuscates rather than clarifies. The metrics may provide some semblance of rationality to empower corporate decision-making in the short term, but it is likely to alienate rather than include many stakeholders. This approach will therefore do little to bring about a more consensual way of working or to minimise risk.

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