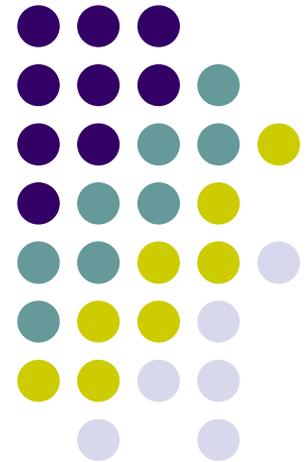
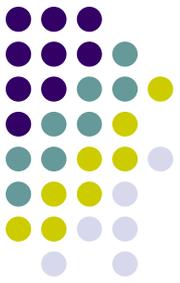


Triple Bottom Line Leadership

David A. Bainbridge
Associate Professor
Marshall Goldsmith School of Management
Alliant International University
Scripps Ranch, San Diego



Who is a leader responsible to?



Stockholders?

or

Stakeholders?



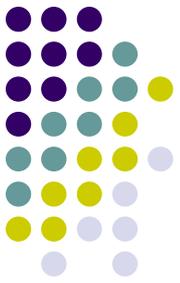
Stockholders -The Old View

***A companies only responsibility is to
increase profit for stockholders***

Milton Friedman 1970

Today only 5% of Americans
agree with Friedman

A new stakeholder perspective



Can add value and improve performance
Stakeholders include companies, employees,
communities and those who:

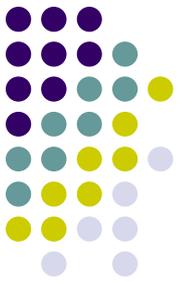
- work for or with you
- care about your company
 - make your market
- make your work possible
- dislike you or your products

Stakeholders



- Employees
- Stockholders
- Customers
- Communities
- Authorizers
- Business Partners
- Opinion formers

Benefits of a stakeholder view



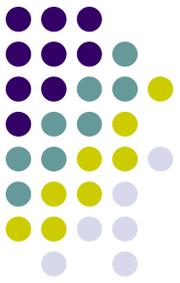
- Improve working conditions
- Improve worker satisfaction
- Improve productivity
- Protect reputation and market
- Promote values of employees and stakeholders and build reputation
- Reduce risk and legal liabilities



More benefits

- Minimize criticism and foster praise in media, NGOs, user groups and retailers
- Improve relations with regulators
- Remain competitive and gain a competitive edge
- Work with supply chain and community cooperatively to improve competitiveness!

Stakeholders desire...



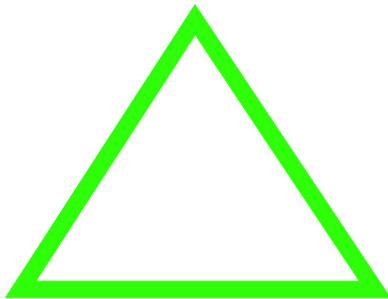
- ***better***
- ***faster***
- ***cheaper***
- ***more sustainable***
- ***more fun!***



Triple Bottom Line

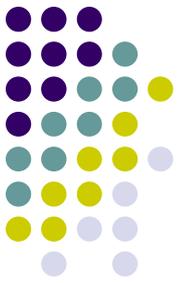
The triple bottom line is emerging as a better model for management

The TBL includes:

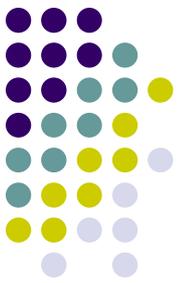


- Profit
- People
- Environment

Completing the picture



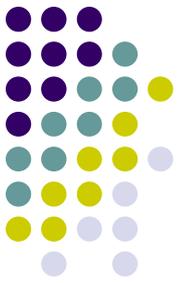
The triple bottom line approach recognizes that imperfect markets and incomplete costs make stock value to shareholders a poor measure of company value, wealth or sustainability



The Triple Bottom Line

- In 1923 English economist AC Pigou noted that the market will not work **unless all costs are included**
 - Today only a small part of cost/value is included in most product and service trades
- This has led to criticism of current economics as an “autistic” discipline, using complex number manipulation with little meaning and no social context!

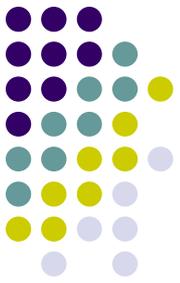
The Real Economy



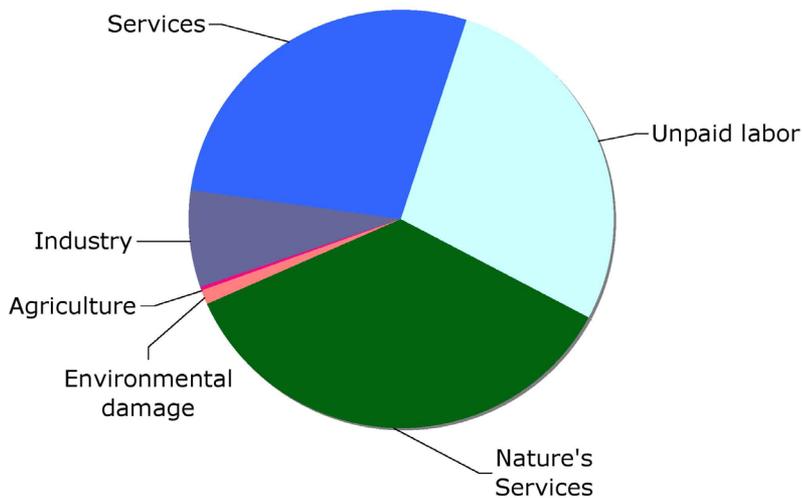
For example, the current market ignores:

- ✓ The value of unpaid labor (parents, volunteers, friends), which is comparable to paid labor
- ✓ The value of Nature's Services, oxygen, water, waste cleanup, comparable to GDP
- ✓ Long term environmental and health costs, may be more than 1/4 of GDP

More than half of the economy isn't included in GDP

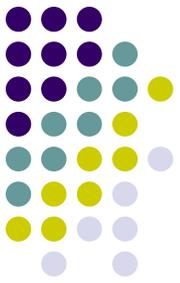


The Real US Economy



- Volunteer labor
- Nature's services
- Natural capital
- Many aspects of human capital
- Health
- Joy

An environmental cost example



- **British Petroleum profits** \$ 19 billion
- **BP environmental damage** \$-51 billion
- **BP net last year** \$-32 billion

- **Shell oil profits** \$ 23 billion
- **Shell environmental damage** \$-31 billion
- **Shell net last year** \$ -8 billion

Source BNEF - environmental damage for global greenhouse gases only, not including ocean pollution, community destruction, and health effects. Cost of damage per ton carbon dioxide from the British finance minister



A social cost example

- Wal-Mart has a stockholder perspective
- A remarkable record for low price and profit
- A leader in the race to the bottom,

“the lowest price at any cost”

A social footprint analysis by the Center for Sustainable Innovation showed they are improving - but still **had a social footprint benefit less than 1/5 of their cost in 2004**

Source: CSI 2006

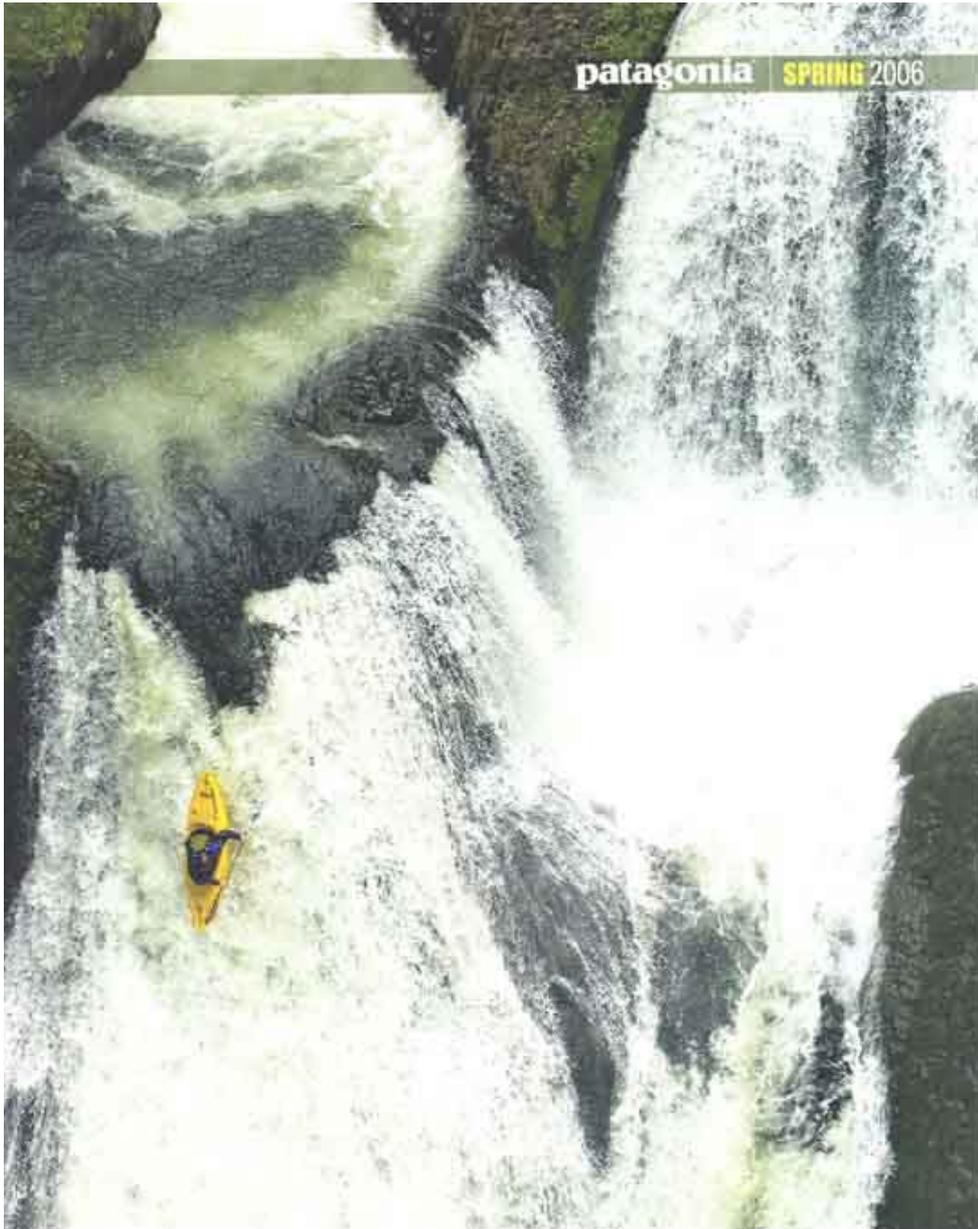
Pressure from stakeholders has helped Wal-Mart move to a greener approach...

A Triple Bottom Line Success



California based businessman Yvon Chouinard is an excellent **Triple Bottom Line leader**

- At his company Patagonia
 - In his personal life
- In his recent book “Let My People Go Surfing”
- This has been possible because Patagonia is privately held - Chouinard and his wife have chosen not to sell out



Catalog cover





The Philosophy of Patagonia

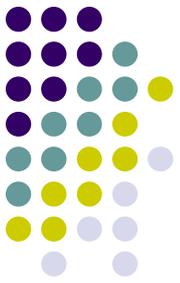
- **Everything matters!**
- **Lead an examined life**
- **Listen to customers**
- **Take good care of employees**
- **Design products that add value and meaning**
- **Involve the designer with the producer**



3BL Patagonia - Profit

- **Quality first and foremost**
- **Use carefully selected and sourced materials**
 - **Value and reward workers**
 - **Value and reward supply chain**
- **Distribute products in ways that offer added value to others**

Patagonia - materials choices



Patagonia

A commitment to wise material choices

Great Vests Come From Soda Bottles

Most synthetic fabric is made from crude oil – an incredibly useful but environmentally damaging resource. When our research showed the intense impact of extracting and refining it, we turned to old soda bottles for some of our fabric material. Since 1993, when we first started using post-consumer recycled plastic (PCR) in our clothing line, we've saved about 98 million 2-liter soda bottles each year from the landfill, along with countless barrels of oil.

MEN'S & WOMEN'S SYNCHILLA® VEST

This Patagonia classic offers versatility and warmth whether worn as part of a layering system in the back bowl or by itself on mild moonlit hikes.





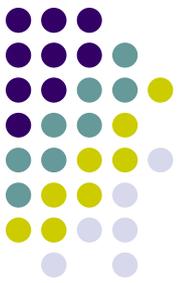
3BL Patagonia - People

- **Seek employees who are:**
 - ✓ **actively using Patagonia products**
 - ✓ **collaborative**
 - ✓ **cooperative**
 - ✓ **effective**
- **Give people a chance to try new things**
- **Offer flex time, benefits, opportunity**



3BL Patagonia - Profit

- **Diversify**
 - **Seek to be best, not biggest**
Growth for growth's sake is the philosophy of a cancer cell!
- **Restore and upgrade old buildings, focusing on sustainable materials and operation**



Patagonia - Long Term Planning

- **Build image based on value**
- **Use value to sell (by internet, mail, retail, wholesale)**
 - **Seek 100% customer satisfaction**
 - **Go the extra mile**
 - **Lifetime warranty**
 - **Tell the truth**



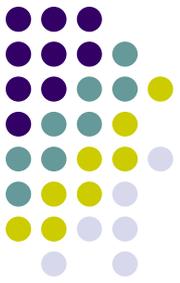
An aside: Two good tests

Ask the salesperson, supplier, or contractor you are working with:

If I knew what you know, would I still buy or use your product or service?

Would it be safe for my child to touch, chew on, or use this product - or to be exposed to the chemicals used in making it?

Patagonia for a safe future



- **Inspire and educate - don't just sell**
 - **Support things that matter**
- **Lead the industry (a key player in organic cotton introduction)**
- **Pay salaries for employees who choose to work for Ngos and volunteer groups**
 - **1% of sales to benefit the Planet**



Success

- **Survival business -- 1957 to today**
 - **Patagonia label -- 1973 to today**
- **Worldwide distribution and reputation**
 - ✓ **Functional**
 - ✓ **Durable**
 - ✓ **Good value**
 - ✓ **Sustainable materials leader**

When your life is on the line, lowest price doesn't make many sales



Patagonia has provided

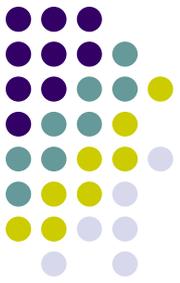
- **Community building support for democracy**
 - **Support to get out the vote!**
 - **Support for better logging practices**
- **Support for more sustainable fishing and farming**
 - **Climbing area protection**
- **Support for expanded wilderness areas**



Leadership for the Triple Bottom Line

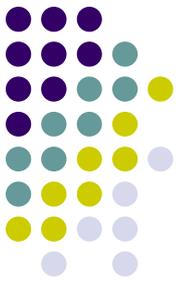
- **Works for companies and organizations that provide services or products**
 - **Builds long term value**
- **Is increasingly rapidly in Europe, Australia, Canada and many other countries**
- **The US is currently falling behind**
- **Early adopters will gain an edge!**

Leadership for survival



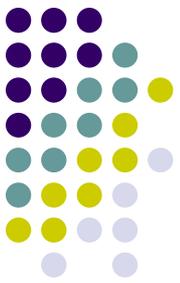
The triple bottom line can help fight the Race to the Bottom - the flight of manufacturing and services to the place with the worst labor practices and no environmental protection

Do you want to work 80 hours a week in a toxic factory for \$120 a month?



Leadership to keep jobs

- **The triple bottom line can help save and create new American jobs**
- **It can also improve working conditions and environmental protection worldwide**
- **It may be essential to save humanity from destruction**



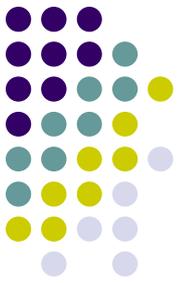
The leader's role

A leader's primary responsibilities include setting and communicating goals

These should include:

- Increasing productivity and profits**
- Improving the quality of life for workers and all people on Earth**
- Protecting and restoring the environment**

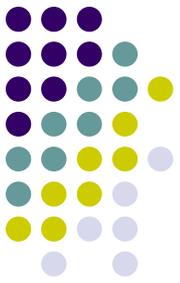
More leaders are acting wisely



- **Almost half of the world's top 250 companies now produce a separate report on social and environmental performance**
- **More than 10,000 sustainability reports are prepared worldwide**
- **San Diego, which imports 90% of its water and most of its energy should be a leader...**

Corporations have the responsibility to develop advanced technologies that will stop the destruction of nature.

Fujio Mitarai, President and CEO, Canon



Moving to sustainability

1. Rejection

- **Worker to be exploited**
Environment as a "free good"

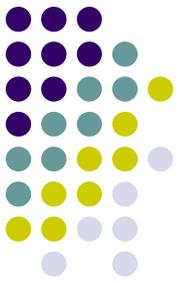
2. Non-responsiveness

- **Minimize labor cost**
- Eco imperatives irrelevant or ignored

3. Compliance

- Decent employer
- **Comply with labor laws**
- **Comply with environmental laws**

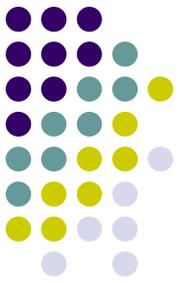
Getting better



4. Efficiency

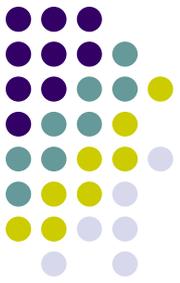
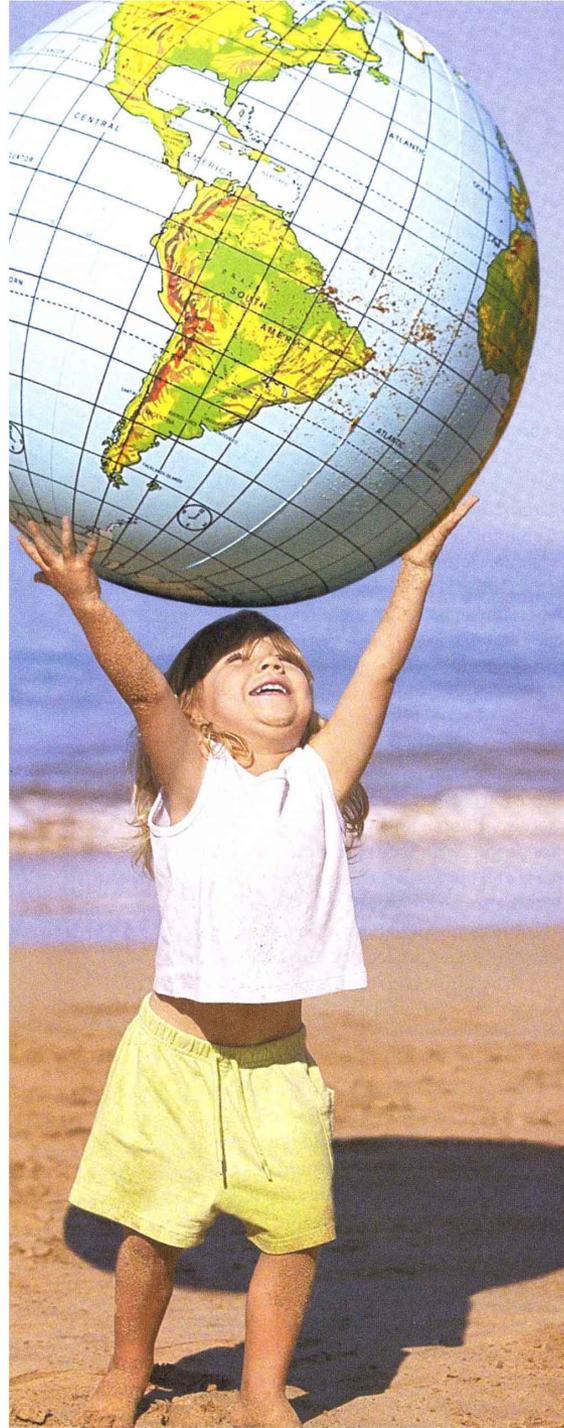
- **Increase Human resources productivity**
- **Increase Eco-efficiency of operations, services, production and products**
- 5. Strategic proactivity
- **Embrace eco sustainability – product and process redesign**
- **Humane, fun, flexible workplace practices, community involvement**

Sustainable



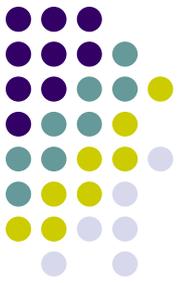
- 6. The sustaining corporation
- **Human and ecological sustainability**
- **People and environment valued**
- **Sustainable profits!**
- **Industry leader**

For the children



Aubrey
Organics ad

AIU Supports Sustainable, Triple Bottom Line Leadership



- **Through courses and the concentration in sustainable management at the Marshall Goldsmith School of Management**
- **At our cooperative program with Presidio World College in San Francisco, an MBA in Sustainable Management (soon in SD as well)**
 - **The world renowned California School of Professional Psychology**

Alliant International University