Human Resources Case Study

Black, Red, and Green—The Triple Bottom Line

Overview
In the 1920s, Zachery Emerson and his two brothers started a construction company called Emerson Builders in Lonesome Train, Virginia. Though a small, rural town, Lonesome Train was growing fast enough to provide the three brothers with a livelihood. Honest and hardworking, the brothers built a reputation for integrity and quality. Two of the brothers each had a son, Wes and John, who led the business into the 1990s. In 1996, Wes decided to expand the business to include old-home renovation, renaming the company Emerson Homes and Renovation.

Like Emerson Builders, Emerson Homes and Renovation cemented its reputation for ethical business practices, quality work, and fair bids. As a result, the business thrived, opening offices in three additional locations. The expansion led to the staffing of a human resources department to oversee the four offices. As the millennium approached, Emerson Homes and Restoration enjoyed substantial profits and a healthy financial bottom line.

While financially prosperous, the twenty-first century brought new employee and customer concerns. Human resources began to field employee questions regarding workplace wellness programs and incentives. In addition, customer desire for green practices and products grew. As a result, Emerson Homes and Renovation realized the need to address these people and planet concerns in addition to profit. Wes turned to his human resources department to begin implementing this triple bottom line approach to business.

Background
Long considered the sole indicator of a successful business, the financial bottom line measured profits but failed to measure two key business components: the people and the planet. The twenty-first century placed new emphasis on employee wellness and environmental consciousness within the workplace. Research linking employee health to work productivity and environmental pollution to business practices further bolstered the need for businesses to consider people and planet in addition to profit when evaluating their bottom lines. John Elkington coined these three business components—profit, people, and planet—as the “triple bottom line.”

According to Laura Musikanski, "The theory behind the triple bottom line is that it is in the interests of a business to act as a steward of the environment, society and the economy."

Investopedia further explains the triple bottom line:
http://www.investopedia.com/terms/t/triple-bottom-line.asp

Elkington’s triple bottom line is intended to advance the goal of sustainability in business practices. The three measures include: profit (the economic value created by the company, or the economic benefit to the surrounding community and society), people (the fair and favorable business practices regarding labor and the community in which the company conducts its business) and planet (the use of sustainable environmental practices and the reduction of environment impact).
Barriers to Implementing the Triple Bottom Line

While many companies recognize the benefits of implementing the triple bottom line approach to business, measuring these benefits poses challenges. Profit margin is calculated in cash; however, a quotient that converts the value of people and planet into cash does not exist. Thus, the value of people and planet cannot be quantified like profit, which produces a gray, rather than a red or black, bottom line. This inability to definitively distinguish gains or losses impedes many businesses from implementing the triple bottom line.

In their article in the Ivey Business Journal, “The Top Ten Reasons Why Businesses Aren’t More Sustainable,” Pamela Laughland and Tina Bansal further elaborate on the barriers blocking the implementation of the triple bottom line. Below are excerpts from their article, citing five of the ten barriers. For the full article, go to the link below.

http://www.iveybusinessjournal.com/topics/social‐responsibility/the‐top‐ten‐reasons‐why‐businesses‐aren%E2%80%99t‐more‐sustainable#.Uffstm1ENGY

1. There are too many metrics that claim to measure sustainability—and they’re too confusing.

While profit has a standard unit of measure—currency—people and planet lack standard metrics. Even if a standard metric is developed, they “can be particularly difficult to measure because they often affect people and society at a macro level, and their organizational implications are unclear. Further, their impacts are not immediately obvious and they depend on who implements them and how.

2. Sustainability still does not fit neatly into the business case.

Current financial decision—making does not fully capture the value of sustainability—related investments. These investments are often based on long—term and intangible rewards, whereas many investments made are based on the short—term impact on the bottom line. One manager pointed out that the payback period for sustainability investments often exceed that required to approve projects.

3. Consumers do not consistently factor sustainability into their purchase decisions.

Many decisions consumers make—from what food to buy to how much energy to use—involve sustainability—related tradeoffs. We constantly trade off different types of impacts (social, environmental, or economic) at different levels (personal, communal, or societal) over different time periods (now or later). In the words of one manager: “Many people demand cleaner energy but refuse, for example, to allow windmills in their community. How can we help consumers make informed tradeoffs when it comes to sustainability?”

4. Companies do not know how best to motivate employees to undertake sustainability initiatives.

Survey research shows employees would rather work for sustainable firms— and some would even forego higher earnings to do so. Firms must better leverage this knowledge to attract and retain the best employees.

5. There is no common set of rules for sourcing sustainably.

Businesses want to purchase products and services that are environmentally and socially responsible. But the process of identifying sustainable suppliers is not always straightforward, and the means for comparing products is not always obvious. Sustainable sourcing decisions may also require industry—specific knowledge and practices, or data that just may not be available.
**Conclusion**

Emerson Homes and Renovation has secured solid profit margins but recognizes the need to address the other two components of the triple bottom line: people and planet. The company has turned to you, the human resources director, to develop guidelines that address either people or planet for the human resources department to implement.

**Assignment**

1. Decide which component you will be addressing, people or planet.
2. Identify and explain, in detail, three initiatives, incentives, programs, and/or practices that Emerson Homes and Renovation can realistically implement to improve its triple bottom line.
3. Develop implementation plans for each initiative, incentive, program, and/or practice. Be sure to address the short-term as well as long-term implementation process. Remember to consider barriers when formulating your plans.
4. For your presentation, select two of your plans to present.
5. While you will only be presenting two of your three plans, you will submit all of your plans to your teacher.

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