

# DOING GOOD & DOING WELL:

*The Double Bottom Line Effect*

McKONLY & ASBURY

# The Double Bottom Line Effect

## *Purpose Through Profits*

**W**hy would a company encourage its employees to give their time and skills to the community for free? Because they believe in the connection between engaging with the community and gaining a business advantage. While the process may be more indirect, this concept of using available resources and profits to benefit the greater community, also known as the Double Bottom Line, is gaining increasing traction. Companies across the nation are realizing the tangible and intangible benefits of embracing it, and using the Double Bottom Line to improve life for employees, the areas in which they live and work, and the business.

The Double Bottom Line, commonly shortened to DBL, is a method of measuring a company's financial and social success. It starts with the conventional bottom line, or the final sum at the end of a balance sheet measuring a company's profits and losses. Companies who embrace the Double Bottom Line use the profits to achieve a greater social and community purpose, which is measured in the second bottom line.

Like any business, the goal is to make a profit. But by guiding the company so it behaves responsibly and with intentionality, businesses are reaping positive tangible and intangible returns.

# DBL: Impact

Every company has an impact on the larger community. Once a company embraces the DBL, they commit to be aware of their impact, to proactively seek ways to improve it, to execute measurable actions towards that improvement, and to challenge others internally and publicly to improve their own impact. This causes a ripple effect that leads to increased growth opportunities, partnerships, and an uplifted business community.

Committing to looking beyond the bottom line to the Double Bottom Line involves allocating resources towards achieving the company's vision of being a positive force in the community. This might look like financially supporting charitable organizations, working hand-in-hand in the community, donating time and talents, or a wide variety of other uses of resources for positive impact. Once time and finances are involved, it invites the public and employees to start a dialogue about what constitutes a positive impact in the community. By starting that dialogue, the company is also inviting others to become a part of the service design now being modeled by the DBL company.

Committing to the DBL also shapes the types of relationships a business pursues. For instance, the company will have another mark by which to measure potential hires: not only will the company hire talented individuals who contribute to the bottom line, but they will also look for the prospective hires who want to give back. As the new workforce rises, having a focus on the DBL gives the company a common ground between what the organization wants to achieve on a greater scale and an employee's passion for helping others.

A company's partnerships will also be guided by their commitment to the DBL. The commitment to contributing to a positive change together will help like-minded companies find common ground for business partnerships and new connections. Within the marketplace today, you can see that happening in venture capital firms that invest in companies that demonstrate the ability to affect a positive change, or in government agencies that find connection with private companies after hearing of their decision to donate their services to others in need.

# DBL: Action

Regardless of industry, businesses are encouraged to contribute financially to social causes, or more specifically, to support a charity or nonprofit. There are tax credits, potential publicity, and a general ability to rally the employees and consumers around a cause.

However, the Double Bottom Line moves beyond the expected volunteerism and builds positive community impact into the cornerstone of how the company does business. Whether that's in the partnerships a company forges, the methods they use to manufacture their products, the investments they make, or their budget allocations, their mission is to benefit the areas in which they work and live.

For example, Good Eggs is an online grocery store that gives people in the San Francisco Bay Area, Los Angeles, New Orleans and Brooklyn access to fresh, local, sustainable foods. A consumer goes to the website, orders their groceries, and the local farmers go harvest it. Then the food is shipped to the consumer's door. Their mission is to support local food networks in a socially responsible way that is also optimal for the environment. Their business model is also committed to supporting the local economy, promoting small, independent businesses. Good Eggs believes in changing the world by changing how society eats, and built their business to, as their website says, "always be a part of the communities we serve." In addition, as a part of being a Good Eggs food provider, each farmer or food maker must commit to serving the local community, treating employees with respect, and practicing sustainable agriculture. This creates a ripple effect of expectations, where the farmers then expect that of their employees, suppliers, and so on.

Similarly, Ben & Jerry's, a much larger brand known for their ice cream, measure the environmental impact of their products and processes. This business has committed to achieving three missions: to make fantastic ice cream, to manage for sustainable financial growth, and to use the company in innovative ways to serve the common good. They invite the larger community to keep the company accountable by posting on their site any efforts to achieve their mission to make the world a better

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place, including efforts such as converting to sourcing Fair Trade products, supporting mandatory GMO labeling, and advocating for 100% clean energy. They frame the concept similar to the Double Bottom Line as “Linked Prosperity,” or the understanding that, “as the company prospers, all those touched by the company also prosper, including employees, suppliers, customers and communities.” Ben & Jerry’s support their commitment to Linked Prosperity by offering livable wages, seeking suppliers who are leading the way to more sustainable environmental and agricultural systems, creating healthy working conditions, developing a “Caring Dairy” program to measure sustainability indicators on dairy farms, and more. These initiatives are measured in annual Social & Environmental Assessment Reports (SEARs) found on the corporate website.

The food industry isn’t the only one to embrace the Double Bottom Line. In fact, one venture capitalism firm is so grounded in the concept their very name is “DBL Investors.” This company is invested in supporting entrepreneurs and companies that are prepared to deliver top financial returns as well as social, environmental, and economic benefits. So while DBL Investors doesn’t need to worry about their direct impact on the social landscape, they empower other businesses to positively impact their communities. DBL Investors does this by helping their portfolio companies develop practices that are uniquely appropriate and effective for their business models and local community. They also ensure these practices match that business’s stage of growth and financial objectives. They set standards for investing in businesses such as hiring locally, applying livable wages, educating the community, facilitating employee volunteerism, mentoring, or other standards. Their commitment to the Double Bottom Line practices in other companies has magnified DBL Investors’ reach in terms of both financial and social returns. As they explain on their website, “We have found that double bottom line practices that companies choose to adopt can be significantly beneficial to the fiscal bottom line both via direct benefits of cost savings and value creation, and via indirect benefits of creating goodwill with their market, customers and community, and enhancing employee morale and retention.”

# DBL: Measurement

Unlike the traditional bottom line, there isn't a balance sheet for the Double Bottom Line. The scope of what the Double Bottom Line includes may also vary from company to company, depending on that group's vision for their impact.

It starts with a healthy bottom line. Your company needs profits to continue to grow, but out of those profits comes the ability to support social causes. So one unit of measurement for the double bottom line is a benchmark of the financial growth of the company and the company's commitment to invest a portion of those dollars in community improvement.

Some companies take that a step further and assign monetization value to the resources provided to a project or service, thereby making Double Bottom Line commitments similar to a company expense. However, this practice doesn't take into account the whole of the process or the value which the participants and the beneficiaries gain. The Double Bottom Line instead focuses on its impact on the small and larger community according to returns specified per project and according to the values and vision of the company.

Just like quoting the bottom line of a balance sheet without discussing anything else only shows part of a business's financial health, there isn't one number that can sum up the entire value of the double bottom line. It is a mixture of quantitative, qualitative, and financial information. Resources invested can include time, energy, ideas, money, and more. The impact can include immeasurable outcomes including increased self-esteem, a sense of wellbeing, satisfaction in product quality or environment protection, or improved processes and performance.

# DBL: Application

**B**y committing to the Double Bottom Line, companies can exert influence in the business community towards community service, social responsibility, and positive local outcomes. At the same time, as the community is supported, the businesses benefit from the rise in conditions. Internally, employees experience a better sense of connectedness with the company as the team collaborates to achieve a unified, community-centric vision. Externally, businesses build partnerships between companies committed to community benefits. This moves the conversation from what a company needs to do for a tax credit towards how a company can demonstrate consistent values and investment in all of its business decisions. As a result, businesses are empowered to achieve a greater purpose through their profits.

## About McKonly & Asbury

McKonly & Asbury, an accounting and consulting firm serving the MidAtlantic area since 1973, is focused on providing the local service and attention businesses are looking for, delivered by professionals with the depth and expertise of international firms. They are known for celebrating 10 years as a Best Place to Work in Pennsylvania, four years as Best Accounting Firm to Work for, and for their commitment to serving their local community. They are passionate about the Double Bottom Line as it dovetails their corporate values including collaboration, integrity, and stewardship. With these values, they work as a unified team to realize their shared goals, to demonstrate consistent values, and to share an actionable responsibility to their culture and community.

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