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**Sustainable Effectiveness and Organization  
Development: Beyond the Triple Bottom  
Line**

**CEO Publication  
G14-06 (640)**

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**July 2014**

## **Sustainable Effectiveness and Organization Development: Beyond the Triple Bottom Line**

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There is growing movement around the globe to broaden the definition of organizational effectiveness. Fewer and fewer countries and societies are willing to accept that financial performance is all that matters when it comes to organizational performance. The movement to hold organizations accountable for their environmental impact is a clear example of this change. More governments are demanding that organizations monitor and provide effectiveness reports on their impact on the environment. In addition, there is a growing demand that companies in developed countries monitor the working conditions and experiences of their employees in the developing countries.

The triple bottom line approach to measuring and reporting on organizational effectiveness is just one outcome of this growing concern with how organizations affect the environments in which they operate. As it grows in popularity in the developed world, more large corporations are increasingly reporting annual triple bottom line performance numbers. At this point, approximately forty-percent of the Fortune 500 companies issue a report. The typical triple bottom line report, which supplements the usual report of the financial results of the corporations, reports on the organization's impact on the physical environment and the societies in which they operate.

The triple bottom line approach represents a dramatic change from the 1950's, when OD started. The dominant view then was that organizations should only be responsible for their financial performance. Forty-four years ago, the

economist Milton Friedman argued in a *New York Times* article that this was exactly as it should be because to do otherwise would be to do charity with other people's money.

Unfortunately, the triple bottom line approach and the current focus on corporations' impact on the environment has not had a major focus on how corporations affect the people who work for them. As noted, there is some focus on working conditions in underdeveloped countries where wages are low and working conditions are often dangerous, but it has not focused on the quality of work-life of most employees.

In many respects, triple bottom line thinking is consistent with the early work in the field of OD, much of which focused on the impact of organizations on their employees and to a lesser degree society. In recent years, the OD field has continued its focus on not just how well organizations perform in the traditional operational areas, but has also been concerned with how they impact the quality of life of their employees. Overall, the growing focus of societies and organizations on how they affect the environment, society, and people presents a tremendous impact opportunity for OD because it has the orientation and knowledge that is relevant to making organizations effective in these areas.

What should OD do in order to capitalize on this opportunity? Two things seem obvious. First, as Chris Worley and I argue in our book *Management Reset: Organizing for Sustainable Effectiveness* (Jossey-Bass, 2011), it should champion the idea of organizations being sustainably effective. That is, being effective, not just in terms of their financial performance but being effective in how they treat employees, the communities they operate in, and the environment. This means

advocating not a triple bottom line approach, but a quadruple bottom line approach to organizational performance. The reason for this is straight-forward and compelling given what those of us in OD know about organizational effectiveness.

Moving to the quadruple bottom line approach involves separating the impact that organizations have on the employees and the impact that they have on the societies in which they operate. How employees are treated requires different measures in order to assess it and has different consequences for organizational performance than how organizations impact the communities in which they operate. Combining them in the way that the triple bottom line approach does detracts, in many ways, from the significance of how employees are treated and very rarely leads to organizations focusing on talent and organization development issues. Separating employee impact from community impact, and taking a quadruple bottom line approach should help highlight the impact of organizations on all employees not just those in developing countries. This is very consistent with the long history of organizational development focusing on the quality work-life and how people are treated both interpersonally and from a leadership and management perspective.

Second, organizational development as a field should continue to champion useful research and research-based management practice. Taking a sustainable effectiveness approach to organizational performance raises innumerable issues that revolve around change management, talent management, leadership, and organization design. It clearly is not as easy to design an organization that is effective in terms of a quadruple bottom line as it is to design one that focuses on

financial performance. There are difficult trade-offs to be evaluated, multiple organization design options that need to be explored, and a continuous change process that needs to be developed and implemented.

Given the rapid changes that are occurring in the business environment, yesterday's approaches to management and organization design are unlikely to be the most effective approaches to producing the best quadruple bottom line results in the future. As a result, the only way for organizations to create positive quadruple bottom line outcomes is for them to constantly develop and test the effectiveness of new management practices and organization designs. But they must do more than experiment and change the practices; they must research the effectiveness of what they do so that they can learn from what they do. OD practice, unguided by research, is unlikely to produce optimal results. Similarly, research that does not take place in organizations that are trying to achieve sustainably effective results is unlikely to be useful.

### **Creating sustainable effective organizations**

In many respects, the field of OD is well positioned to help organizations become more sustainably effective. The organization designs and management processes that are critical to achieving organizational effectiveness are a large part of the history of OD. These include its focus on evidence-based change, democratic leadership, and respect for individuals. Organizations, for example, are unlikely to be sustainably effective unless they have highly permeable boundaries and are able to change quickly and effectively. Similarly, they are unlikely to treat their employees well and in a sustainably effective manner if they

do not practice effective leadership and have meaningful group processes. All of these areas of organization design and management are part of the competency sets that OD professionals have helped organizations develop and where OD scholars have a history of research and practice.

With that said, what OD has done and can potentially do is not enough to make organization development professionals major players in creating sustainably effective organizations. They require expertise in measuring sustainable effectiveness, as well as knowledge in macro-organization design and business strategy. These areas of expertise are critical to making good decisions about the strategic paths that organizations should take in order to be sustainably effective and to understanding the impact of organization design decisions and practices on the organization's quadruple bottom line performance. It needs to adopt some new approach to thinking about and creating organizational effectiveness. *The Agility Factor* (Jossey-Bass, 2014), a new book by Chris Worley, Tom Williams, and myself, asserts that the "old way" of OD thinking needs to change. In particular, it calls for organizations to adopt a continuous change model rather than the traditional "freezing" model which calls for implementing change and the returning to stability. This was a good model, but it has become outdated. The rate of change in the environment demands continuous organizational change and experimentation with new practices and strategies.

In summary, a great opportunity for organizational development to build on its history and traditional strengths exists. If it does, OD can play an important and necessary role in the future of organizations and in society. By astutely combining useful research and new thinking about how organizations must

perform in order to survive, organizational development can position itself as a vital resource and important contributor to creating rewarding work-lives for individuals and sustainable societies for them to live in. In order to be effective and survive in the next decades, organizations need to grapple with the classic OD areas—change, people, work design, leadership, etc. However, many of the designs and practices that organizations need to use are either unknown or still evolving. Useful research, which has characterized OD in the past, can help discover and develop what is needed. Implementing it can be aided by some of the change processes that OD has used since its inception. The foundations upon which organization development can move successfully into a new era exist, but they need to be built upon.