

TRIPLE BOTTOM LINE REPORTING PRACTICES AND CORPORATE RELATIONSHIP WITH HOST COMMUNITIES IN NIGERIA (A CASE STUDY OF NIGER DELTA REGION)

Francis .N.P Udeh, Fidelis .O. Akporien

Abstract: *This study seeks to examine Triple Bottom Line (TBL) reporting practices and corporate relationship with host communities in Nigeria. A survey research design was adopted for the study hence structured questionnaires were administered. The population of the study consists of members of host communities and management staff of companies in the Niger Delta region of Nigeria. Hypotheses stated were tested and analyzed through the use of correlation analysis and one-way analysis of variance (ANOVA) at 5% level of significance with the aid of statistical package for social sciences (SPSS) software (version 16.0). The study findings reveal that there is a significant difference between the level of awareness of host communities members and company management about TBL reports. The result also shows that there is an insignificant relationship between TBL reporting practice and corporate relationship with host communities. Based on the findings of this study, it was recommended amongst others that there is need to adequately localize sustainability reporting framework in line with international standard and that community organization need to imbibe culture of peaceful negotiation in their agitations to avoid negative consequences.*

Keywords: *Triple Bottom Line, Corporate Reporting, Niger Delta Region.*

JEL Classification: *M40, M41, M49.*

Introduction

The notion of Triple Bottom Line reporting has become increasingly fashionable in management and financial reporting circles over the last few years. The increases in global environmental awareness and the campaign for sustainable economic development are redirecting the attention of corporate businesses towards environmental sensitivity. The idea behind the TBL paradigm is that a corporation's ultimate success or health can and should be measured not just by the traditional financial bottom line, but also by its social/ethical and environmental performance. Of course, it has long been accepted by most people in and out of the corporate world that firms have a variety of obligations to stakeholders to behave responsibly. It is also almost a truism that firms cannot be successful in the long run if they consistently disregard the interests of key stakeholders. The quest for sustainability has caused an emergence of many global institutions enunciating varying norms that guide human interaction with the environment. Triple Bottom-Line reporting is an emerging issue in accounting profession that aims at assessing and enhancing corporate performance with regards to sustainability. It widens the scope of traditional reporting which emphasizes financial profitability and considers the contributions of a corporate organization towards environmental and social sustainability thereby giving more attention to other stakeholders other than shareholders. The traditional goal of a business focuses on economic performance. However with the current global trend

of social sustainability, corporate organizations are beginning to pay more commitment to environmental and social obligations.

Triple bottom line report is usually a stand-alone annual report through which an organization accounts for its impacts on the broader environment, society and economy, as an advance on a traditional annual report which focuses solely on an organization's financial accountability [14]. According to [20], TBL reporting is hinged on improved relationship among stakeholders beyond the owners of business. It considers the interest of employees, customers, natural environment, host community and investors. It is believed that the adoption of Triple Bottom Line reporting in firms will lead to the enhancement of corporate reputation. Among other things, it will also guarantee an adequate social responsibility, improved access to investors, reduction in risk profile, and identification of cost savings potential, increased scope of innovation, and identification of stakeholders' needs with management focus and creation of an opportunity for stakeholders' dialogue [2].

At various national levels are government regulations, society pressure groups and green consumer pressure. These developments are reawakening corporate attention to strategic and competitive role of environmental responsibility to corporate survival. However within the developing nations, the understanding is somewhat different mainly because of weak government regulations and lack of organized pressure groups and consumer awareness to influence corporate behaviour. Although, sustainability reporting has yet to reach a generally accepted standard of financial reporting and is still largely a voluntary exercise in many countries of the world, however, this is changing with mandatory requirements being introduced in countries such as France, Germany, South Africa [2]. Hence many corporations in developing countries such as Nigeria are beginning to brace up to the challenges of going beyond social and environmental disclosures to sustainability reporting.

1 Problem Statement

Most studies on Triple Bottom Line reporting practices of companies have focused on the developed economies [8, 9, 12,]. However, a few studies have been conducted in the developing world such as Nigeria [17, 7]. [2] argue that contemporary social reporting practices have evolved within a system skewed towards the spirit of free-market individualism without effective regulation in Nigeria. More so, the discretionary or voluntary nature of social responsibility reporting is suggestive that corporations exert unimaginable control over the preparation and disclosure of social and environmental information. However, Triple Bottom Line reporting goes further than corporate social responsibility or environmental reporting. Researches such as [2, 17, 19, 4] dwelt on TBL and corporate sustainability. [7] highlighted the benefits of Triple Bottom Line reporting to corporate organisations. Studies such as [25, 14, 18, 10] also examined TBL reporting as it relates to regulatory compliance and corporate performance. Studies have also been conducted to examine the determinants of TBL and corporate performance [23, 28, 12].

The empirical results of these studies have been diverse and inconclusive indicating that the issues are still quite unresolved in the literature. Furthermore, there is also a knowledge gap about how community agitation will influence triple bottom line reporting for oil producing areas of Nigeria as the level of awareness and implications of social cost differs considerably. Also, the nexus between triple bottom line reporting and corporate relationship with host communities is complex and leaves much to be desired. Thus, this study fills this gap by examining the relationship between Triple Bottom Line Reporting practices of quoted firms in Nigeria.

1.1 Research Objective

The broad objective of the study is to examine Triple Bottom Line reporting practices of and host communities' relationship of companies in Nigeria. However, the specific objectives are to:

1. Ascertain the level of awareness of host communities members and management staff of companies.
2. Investigate to what extent TBL reporting practices influence the corporate relationship with the host communities; and
3. Examine if there is any significant difference between the perception of host community members and company management about TBL reporting practices.

1.2 Research Questions

The following research questions have been specified as a general guide for this study:

1. What is the level of awareness of host community members and company management staff about Triple Bottom Line reports in Nigeria?
2. To what extent does TBL reporting influence corporate relationship with host communities in Nigeria?
3. Is there any significant difference in the perception of host community members and company management about TBL reporting practices in Nigeria?

1.3 Research Hypotheses

- H₁: There is no significant difference between level of awareness of members of host communities and management staff of companies.
- H₂: TBL reporting practice does not impact on corporate relationship with host communities in Nigeria.
- H₃: There is no significant difference in the perception of host community members and companies' management about corporate-host community relation through TBL reporting.

1.4 Conceptual Framework and Literature Review

The term "Triple Bottom Line" dates back to the mid 1990's, when management think-tank accountability coined and began using the term in its work. The term found public currency with the 1997 publication of the British edition of John Elkington's *Cannibals With Forks: The Triple Bottom Line of 21st Century Business* [15]. According to [8], in his Triple Bottom Line approach theory, capitalism must satisfy legitimate demands for economic performance. With this, [8] echoed Adam Smith's theory of the firm which states that the firm has one and only one goal – to satisfy the desires of shareholders by making profits. However, profit may not be attainable if the environment in which the business operates is neglected. In his word "A corporation which accommodates the Triple Bottom Line approach (social, economic and environmental performance) is contributing to sustainable development".

[17], anchors on this by stating that TBL is an accounting framework that incorporates three dimensions of performance social, environment and financial. The notion of TBL was developed as a new framework to measure both financial and non-financial performance during the mid-1990s. The framework of TBL focuses on the interrelated dimensions

of profit, people, and the planet [23]. TBL is a departure from the traditional focus of companies in maximizing their economic or financial bottom-line, commonly known as profits. TBL reporting is directly tied to the concept of sustainable development [16], which is defined as ‘development that meets the needs of the present world without compromising the ability of future generations to meet their own needs’[27].

[20] defined Triple Bottom Line reporting as the measurement, management and reporting of economic, environmental and social performance indications in a single report. They added that Triple Bottom Line reporting is therefore best seen as a process that includes managing, measuring and publicly reporting multi-dimensional performance and integrating it with management process. It goes beyond the traditional way of reporting mechanism and encourages businesses to give closer attention to the whole impact of their commercial activities over and above their financial performance.

[7] noted that the advent of the Triple Bottom Line paradigm aims at encouraging managers to think beyond the old fashioned financial bottom line in terms of two additional “bottom lines” namely the social bottom line and environmental bottom line. The pursuit of sustainability has become a core strategic objective for most organizations. Societies are increasingly aware of the fragile environment limits being transcended by the global pursuit of prosperity and better standards of living. [14] also maintain that a company’s financial statement are not able to account for the wider economic impacts of a company’s activities at the local community level through the provision of employment, the income that employees earn and use, and the taxes that they pay, as well as the impact on local suppliers and service providers and called for a more robust sustainability reports. Changing societal expectations are placing new challenges before business leaders, and are shifting the nature of the business and society relationship. The potential for far greater stakeholder activism, along with a rise in competition from global scale production and trade, have created a significantly more challenging management environment than in the past. The availability and flow rate of information have increased exponentially over the past decade. This has vitalized a new generation of civil society groups, who, along with other business stakeholders—consumers, communities, employees, and governments—are reshaping the set of demands facing contemporary business leaders. Business firms are therefore placing increased emphasis on their ongoing sustainability, which implies a simultaneous focus on economic, social, and environmental performance [21, 12, 14].

[25] posited that Triple Bottom Line accounting (also known as sustainability reporting) was originated about 20 years ago and is considered a sub category of financial accounting that focuses on the disclosure of non-financial information about a firm’s performance to external parties such as capital holders, creditors and other stakeholders. Tilt emphasized that TBL is the report of activities of a firm that have direct impact not only on the economic performance, but also on the business environment and the society at large. Triple Bottom Line reporting is a method used in business accounting to further expand stakeholders’ knowledge of the company. It goes beyond the traditional, financial aspects and reveals the company’s impact on the world around it. There are three main focuses of TBL: “people, planet, and profit (Global Reporting Initiative, 2008). It is a “concerted effort to incorporate economic, environmental and social considerations into a company’s evaluation and decision making processes” [11]. This type of reporting establishes principles by which a company should operate to concentrate on the total effect of their actions (both positive and negative).

Further, Sustainability accounting in contrast with financial accounting is used for internal decision making and the creation of new policies that have effect on the organization's performance of economical, ecological and social (known as the triple bottom line or triple – P's, people, planet, profit) level [26]. [24] argues that sustainability reporting is driven by the desire to improve an organization's measure of progress across an integrated social, environmental and economic platform. He stated further that sustainability has emerged as a guiding principle and value-laden construct that integrates issues of the environment with issues of development and society, while the concept has become a "principle" bench mark, its application has promoted wide debate and often confusion. It is often interpreted in sectorial (development, agriculture, fisheries, industry etc.) and dimensional (environment, social, economic) contexts at varying scales (local, national and international). This led to the conclusion of [13] that the consequence of this is that sustainability can mean different things to different players but that the highest level of management should be guided by a common set of principles and objectives.

[22] identified several generic characteristics of Triple Bottom Line initiative to include accountability, transparency, integrated planning and management commitment to stakeholders' engagement and multi-dimensional measurement reporting. [5] defined sustainability as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs. [10] claims that Triple Bottom Line theory is geared towards reporting mechanism designed to encourage businesses to give closer attention to the whole impact of their commercial activities rather than just their financial performance. It is probably the best known among non-financial reporting formats to have been given serious attention over recent years.

2 Methods

Survey research design was used in this study. This research strategy was considered necessary because of its ability to view comprehensively and in detail the major questions raised in the study. According to [6], this research design is an efficient way of collecting information from a large number of respondents and the ability to use statistical techniques to determine statistical significance. Primary data was used for this study. The population of this study consists of members of host communities and management staff of companies in the Niger Delta area of Nigeria. According to [3], a population can be finite or infinite. While a finite population is conceivable in size, an infinite population is inestimable due to some factors. In this study however, members of host communities and companies' management are infinite and inestimable due to lack of data.

A sample consisting of respondents in the Niger Delta region was considered a good representative of the respondent groups for this study. According to [1], the ultimate test of a sample design is how well it represents the characteristics of the population it purports to represent. A random sample of (100) one hundred was targeted for the respondent groups. This consists of fifty respondents from each group. Due to the survey nature of the research, questionnaires were used to solicit data pertaining to TBL reporting practices in Nigeria.

A summary of the completed and returned questionnaires of the targeted respondents are presented in Table 1 below:

Tab. 1: Summary of completed & returned questionnaires

Respondents category	No. Administered	No. Returned	Percentage
Members of Host Communities	50	48	52.17%
Management Staff	50	44	47.83%
TOTAL	100	92	

Source: Field Survey, 2015

3 Problem Solving

This section relates to the testing of hypotheses earlier stated in this study. For the sake of understanding, the hypotheses will be restated before presenting the result analyses. The decision rule is to reject the null hypothesis and accept the alternative if $P < 0.05$ otherwise accept the null hypothesis if $p > 0.05$.

Hypothesis One: There is no significant difference between the level of awareness of members of host communities and company staff.

Tab. 2: ANOVA Summary on the Level of Awareness of Host Communities & Company Representative about TBL

	SS	DF	MS	F	Sig.
Between Groups	18.809	2	37.618	45.159	0.003
Within Groups	75.511	90	0.833		
Total	94.320	92			

SS: Sum of Squares; DF: Degree of Freedom; MS: Mean Square; F: F-ratio Sig.: Level of Significance
Source: SPSS Output

To test this hypothesis, we subjected statement 3 on the questionnaire to empirical test. The result of the hypothesis is presented in Table 2. There are indications from this table that the statement used (Statement 3) is significant with p-value less than 0.05. In essence, there is a significant difference in the level of awareness of host community members and company representatives ($F_{45,159}(2, 90) = p=.003$, p-value < 0.05).

Hypothesis Two: TBL reporting practice does not impact on corporate relationship with host communities in Nigeria.

Tab. 3: Coefficient Correlations for TBL reporting practice on corporate relationship with host communities

		TBL reports improves community relations	Host communities interest in TBL reports
TBL reports improves community relations	Pearson Correlation Sig. (2-tailed) N	1 92	0.109(*) 0.055 92
Host communities interest in TBL reports	Pearson Correlation Sig. (2-tailed) N	0.109(*) 0.055 92	1 92

*N: Number of Observations; TBL: Triple Bottom Line; *Not Significant*

Source: SPSS Output

To test the impact of TBL reporting on corporate relationship with host communities, items 19 and 20 on the instrument were subjected to correlation test. The result shows that TBL reports have an insignificant impact on corporate relationship with host communities; $r(92)=.109$, $p=.055$ and therefore have evidence to accept the null hypothesis and conclude that there is no significant impact of TBL reports practice on corporate relationship with host communities.

Hypothesis Three: There is no significant difference in the perception of host community members and companies' management about corporate-host community relation through TBL reporting.

Tab. 4: ANOVA Summary on TBL reporting practice and improved company's relationship with host communities

	SS	DF	MS	F	Sig.
Between Groups	23.301	2	11.650	15.248	0.161
Within Groups	68.828	90	0.764		
Total	92.129	92			

SS: Sum of Squares; DF: Degree of Freedom; MS: Mean Square; F:F-ratio Sig.: Level of Significance

Source: SPSS Output

To test this hypothesis, we subjected statement 19 on the questionnaire to empirical test. The result of the hypothesis is presented in Table 4. There are indications from this table that the statement used (Statement 19) is not significant with p-value greater than 0.05. In essence, there is no significant difference in the opinion of host community members and company representatives that a good TBL reporting practice will improve company relationship with host communities ($F 15.248 (2, 90) = p=.161$, $p\text{-value} > 0.05$).

4 Discussion

This study was undertaken to examine the triple bottom line reporting practices and its implication for host community's relationship with companies. In conducting this study, a survey was carried out to capture the opinion of company management staff and members of host communities. The findings of this study reveal that there is a significant difference between the level of awareness of host communities and companies representatives.

Responses show that as community stakeholders have very little knowledge about TBL reports. The study finds that the awareness of host communities' members about TBL reports is still low based on responses from the community members. Further, the study reveals that there is weak and insignificant relationship between TBL reporting practices and corporate relationship with host communities. This was amplified by the respondents who are of the opinion that TBL reports do not improve corporate image. It is also observed that there is lack of peaceful co-existence between the host communities and companies in the Niger Delta area in spite of TBL reporting practices. The study also finds that there is no significant difference in perception of community members and company management about TBL reporting practice improving company's relationship with its host community. To buttress this, the responses reveal that most community members and company management believe that the TBL reports do not depict the true position relationship between the company and host communities and hence is not a panacea for corporate-community peaceful co-existence.

Conclusion

The study was carried out to examine the TBL reporting practices of firms and how it impacts on relationship with the host communities. We have used some tables, correlation analysis ANOVA to examine the relationship among the variables. The study found that accessibility of TBL reports affects level of awareness but that the corporate-community relationship does not depend on the TBL reporting practices of companies and concludes that TBL reporting practices of companies in the Niger Delta areas have little impact on improving companies' peaceful co-existence with their host communities.

Recommendations

Based on the findings of this study, the following recommendations have been made:

1. There need to be a mandatory localized sustainability reporting framework in line with international best practices.
2. Companies in the Niger Delta area should take cognizance of the local community needs in the preparation of their triple bottom line report so as to significantly improve the relations with host communities.
3. Companies need to make their TBL reports accessible to all stakeholders including the host communities so that the community will be kept abreast of the development in their environments.
4. Community organisations need to imbibe the culture of peaceful negotiations in their agitations so as not to hamper the operations of the companies in their area.
5. There should be disclosure of more quantifiable triple bottom line indicators encompassing social, environmental and economic performance indicators by corporations.

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Contact Address

Francis .N.P UDEH (Ph.D),
 Lecturer, Department of Accountancy,
 Faculty of Management Sciences,
 Nnamdi Azikiwe University,
 Awka, Anambra State,
 Nigeria

Fidelis .O. AKPORIEN

M.Sc. Student, Department of Accountancy,
Faculty of Management Sciences,
Nnamdi Azikiwe University,
Awka, Anambra State,
Nigeria

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