A Complex Systems Perspective on Incommensurable Evaluations within Triple-Bottom-Line Reporting

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The adoption by corporations and government agencies of Triple-Bottom-Line Reporting practices suggests that the complex choices which arise in "world risk society" bring social and environmental assessments into our calculations of economic advantage. Applying the TBL concept can be deeply problematic, however, in that these different components of assessment are situated in incommensurable gestalts. From a complex systems perspective, social, environmental and economic factors are complicit in generating social order as a whole with emergent properties, not discernible through measuring each component of the TBL. This paper explores whether the emergence of post-formal cognitive styles, grappling with constructs as embedded in, and emergent from, contextual factors, will foster a more reflexive understanding of the conventions we construct for measuring progress towards sustainability.

Introduction: Global risk society – socialized assessments, mediated experience

Post-modern global cultures are beset with uncertainties, fluid identities and simultaneous transformations in social structure and context. Citizens are constantly informed through the media about issues for concern regarding which they have no direct experiential understanding. According to Giddens (1991: 119), public discourse is saturated with expert profiling of risk, giving rise to a proliferation of 'abstract systems' for managing public response i.e. the common concerns of Network Information Society are filtered through numerous social mechanisms for constructing the significance of, problematizing and measuring progress in addressing these social issues.

Beck (2002: 3) suggests, however, that many of these expert systems are quite seriously divorced from an actual understanding of the uncertainties which exponential technological and social change is generating. This situation will be discussed by using an example of one such "abstract system" – "Triple Bottom Line Reporting"[1] – which has received an unexpected level of support from corporations, non-profit groups and government agencies (Elkington, 1999).

After the Rio Declaration on the Environment and Development in 1992, business embraced the idea of combining eco-efficiency in resource use with economic growth, but the third pillar of Sustainable Development – Social Progress – has remained largely neglected until Kofi Annan's 2005 address to the UN highlighted the growing gap between rich and poor, despite international commitments to reducing poverty and inequality (United Nations, 2005: *"In Larger Freedom")*.

The speed with which concepts of Corporate Social Responsibility[2], the ad-

vantages of promoting Social Capital and TBL reporting practices entered corporate thinking has been attributed by many to a backlash after the 1999 Seattle protests against exploitative free-market practices.. Multi-national corporations realised a need to address just how negative their public image had become. The Business Council of Australia views greater transparency and better public relations as good for profits and has thus strongly supported Triple Bottom Line Reporting as:

 "a solid foundation for measuring our progress … in relation to financial, environmental and social performance… and broader aim of improving the negative public perception of business in Australia" (Group 100, 2003: foreword).

Giving consumers comparable data on corporations will guide their ethical choices and thus corporate responsibility is allied with green consumerism (Chapman, 2006). However, Norman and MacDonald (2004) consider these expectations fallacious - as ratings on the basis of social indicators have no comparative validity across companies or over time (being discursively constructed and qualitatively and contextually evaluated). Neither is it admissible to aggregate ratings of social, economic and environmental performance in order to establish a clear ranking of companies – so that consumers can develop a preference of one company over another in the way we assess other products.

Consequently, they conclude that what is sound about the concept is not novel (companies have always taken employee welfare, customer perceptions of the company ethics, and shareholders' beliefs about the company's soundness into account) and what is novel about the concept (packaging this information and making it publicly available through measurable, comparable reporting) is not sound, and might in fact provide a smokescreen behind which companies can avoid genuine accountability.

This paper asks whether promoting accountability mechanisms such as TBL Reporting can genuinely regulate the defective socio-environmental relationships of global capitalism or whether they provide the illusion of "progress" without disturbing the status quo? In the words of Max Weber, are "formal" rationalities (i.e. abstract mechanisms) taking over from "substantive" rationalities (Stryber, 2001)?

The self-organization of evaluative mechanisms

Through the lens of economic liberalism[3], "governance at a distance" requires that the governed (as free rational individuals) become complicit in the processes whereby they are governed (Higgins, 2005). For pragmatic reasons, however, it is also imperative that public response be channelled in appropriate directions. One way of encouraging this is to set up auditing processes, standardised decision-making instruments and self-regulating programs which mould the sensibilities of independent agents.

Under the influence of these mechanisms, promulgated through trade networks, international conventions or social mimicry, well-defined conceptual highways start to shape strategies for posing and addressing problems - compounded through social dynamics, not any intrinsic fitness of the strategies themselves. For example, Sustainability Reporting Guidelines developed by the Global Report-

ing Initiative of the North-American Coalition for Environmentally Responsible Economies (CERES) became a de facto international standard after the United Nations Environment Programme (UNEP) partnered CERES in 1999 (Global Reporting Initiative, 2002). Then the Australian Bureau of Statistics disseminated these standards through numerous reports on Social Capital[4] and how to measure it (ABS, 2001, 2004; Stone and Australian Institute of Family Studies, 2001; Stone, et al., 2002). The more prevalent the use of these standards, the less visible the ideological framing of ideas such as Social Capital becomes; it appears self-evident.

Institutional shaping of evaluative frameworks

Consequently, it matters **whose** construction of concepts is dominant in how we make sense of the world. The western habit of abstracting ideas and generalizing them to new domains conceals how implicit priorities and metaphoric framing from an economic domain may be transferred unwittingly through such mechanisms and start to influence our ideas about human relationships and social contracts. Framing social assessments through economic language - such as developing Social or Human Capital to build the "intangible assets" of corporations – unconsciously assimilates economic conventions such as methodological individualism (which views society as the sum of atomistic actions). The frames we adopt shape what kinds of conversations can be held and the type of conclusions which emerge (Lakoff, 2004).

Triple Bottom Line Reporting might be considered a 'category error' i.e. a statement which is figurative and rhetorical has been taken literally to fit corporate practices. Using the language of accountancy in incommensurate domains acquires a semblance of meaningfulness through blurring the semantic distinction between the concept of a financial bottom line and the notion of primary significance: i.e. making a profit is what ultimately matters (economic growth); having resources is an absolute precondition for production (environmental capital) and (in the words of Kofi Annan) if society collapses then so do markets (social capital).

Thus "social capital" viewed as a subset of "economic capital" sets up an expectation that "social and natural capital" should be preserved – just as we accumulate financial capital - without really exploring the meaning of that statement. Conventions, widely shared, provide a comforting sense of "orderliness" – thereby disguising just how mutable, contingent and contextually-embedded human modes of sense-making are in actuality (Varela et al., 1991). It becomes difficult to see just how much regulatory mechanisms shape our sense-making habits.

The failure of instrumentalism

Economic liberalism, resting on the premise that human rationality is limited and not to be trusted in directing the course of social institutions, could be seen as an acknowledgement that the epistemological habits of western cultures are failing to render comprehensible or to regulate the complex, self-organizing dynamics of globalism. Both public and private modes of problem-solving in capitalist economies are deeply dependent on reductionist, instrumental modes of thought i.e. drawing clear boundaries and setting over-riding objectives permits consensus, determines how tasks are prioritized and simplifies assessments.

Public policy developers and environmental activists alike have realized, however, that isolated interventions – conceived through the lens of selective institutional goals – cannot accommodate the highly indeterminate, deeply complicit issues of post-modern cultures. Freyfogle (2006) in fact claims that "special interest" environmental campaigns are actually counter-productive, breeding public misconceptions about the aims of environmentalism and obfuscating how these are relevant to the health and wellbeing of society.

Calls for integrated action and "holistic" approaches fall foul of the selective instrumental frameworks through which different groups construct their understanding of situations; multidisciplinary overviews claiming a privileged over-perspective turn out to be partial and unsupported interpretations. It has become painfully apparent that these selective filters in our construction of meaning are endemic to human understanding; this throws into doubt and confusion the artifacts we create as orienting points around which to form collective assessments.

Capitalist cultures, transformed by the cultural diversity of Network Society, are caught in these contradictions between instrumental and contextualized, emergent modes of knowing (Capra, 2002). Kegan believes that this contradiction is never resolved., but if we are able to move into "a bigger space where we can look AT the contradiction", we learn to hold the tension between these incongruent and ambiguous constructions of issues (Kegan and Lahey, 2001). Evolve post-formal styles of thought (i.e. a capacity to articulate insights into how meaning is being framed) helps to emancipate groups from the perceptual boundaries created by their unconscious sense-making traditions. Reflexive awareness of these thought patterns open up alternative responses. Kegan describes this developmental process as a subject/object transformation: developing the capacity to observe more of our thoughts and emotions , shifts the ratio between thoughts which just "have us" - and those we can reflect upon - towards the "objective" end of the continuum.

Capitalist economies appear to be in a transition period between managing dissent through setting up foundational truths and awareness of how these abstract mechanisms rule us. We can step back from the "agent-design perspective" for some of the time, but then succumb to a desire to have intractable issues resolved for us through self-organized outcomes.

Self-organizing information cultures in a sustainable global system

In society is viewed as a complex self-organizing system (with emergent properties not predictable as a sum of the parts), the pursuit of a sustainable social order does not stop at making each part energy efficient, non-polluting etc.; it requires that we grapple with the non-linear, self-organizing dynamics which entrain our identity, aspirations, modes of assessment, habitual strategies, to the dominant political economy. The social dynamics of the system **as a whole** has an environmental impact: levels of conflict, capacity to resolve incompatible, short-sighted objectives, maintaining complex capabilities with smaller populations – these types of dynamics are implicated in being able to promote positive cycles of social and environmental health and wellbeing.

An exponential leap in ability to construct meaningful patterns and respond appropriately to situations through harnessing the distributed "intelligence" of citizens demands, however, that complex self-organizing processes are appreciated as a double-edged sword – beneficial for some purposes and fostering ideological rigidity at other times. Evolutions in the nature of the social contract have changed the course of history (Schama, 1987). Greater prevalence of post-formal styles of thinking (internalizing a sense of self as structurally coupled to others and redefining our understanding of meaning-making) might permit forms of cooperation to emerge which are not amenable to groups operating through atomistic individualism.

Conclusion: The triumph of "substantive rationalities" over "formal rationalities"?

In conclusion, the question this paper highlighted is whether grappling with incommensurable Triple Bottom Line assessments will expose our social constructions as embedded, contextual or whether these accounting practices will become an opaque social convention, reproduced without reflection.

We might also ask why (given the conceptual and operational difficulties of Triple Bottom Line Reporting) corporations, government agencies and civil organizations have been so ready to adopt the TBL concept?

Wallerstein (2000) notes that the unexpected degree of resistance from anti-systemic movements, protesting the gap which global capitalism is driving between haves and have-nots, threatens the ability of government to guarantee stable conditions for investment. Destabilization of a neo-liberal market-based order might be adverted through legitimizing the social accountability of corporations – no matter what the actual outcomes. Stryber (2001) - referring to Max Weber's concept of legitimacy - suggests that "people's cognitive and normative orientations to some legitimacy source—whether tradition, charisma, or legality—can counteract the tendency of interest-based conflicts to undermine social order. When legitimacy results from collective orientation to, and belief in, a particular set of 'rules of the game', people will support and comply with decisions that run counter to their socioeconomic, political, or legal interests."

Can we escape this determination by our social technologies to foster a political economy more responsive to socio-environmental challenges than a monopolistic dependence on the market? This paper suggests that understanding the evolutionary processes shaping our sense-making of issues brings a capacity to transcend the "abstract mechanisms" through which our evaluations are channelled. However, this may depend on the degree to which post-formal thinking styles become prevalent in the population of global cultures.

Notes

[1] John Elkington claims to be the innovator of Triple Bottom Line Reporting in his 1999 book.
[2] Corporate Social Responsibility: legitimating the accountability of corporations to more than just their shareholders.
[3] Based on the assumption that social order self-organizes most efficiently through the rational self-interest of individuals, expressed through market choices. See Hay-

ek, 1976, for more about the assumptions underlying economic liberalism.

[4] Social Capital: *"Networks, together with shared norms, values and understandings which facilitate cooperation within or among groups"* (Australian Bureau of Statistics, 2004).

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