

TRIPLE BOTTOM LINE ON BUSINESS PERFORMANCE: EXAMINING THE MODERATING ROLE OF MANAGERIAL COMPETENCIES

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Article History

Received: 29-07-2024

Revision: 23-08-2024

Accepted: 05-09-2024

Published: 10-09-2024

Abstract. This study evaluates the influence of the Triple Bottom Line (TBL) dimensions Economic, Social, and Environmental on restaurant business performance in Kendari, as well as the role of managerial competency moderation. The results show that the three dimensions of TBL have a significant positive influence, with the Economic and Social dimensions directly improving performance, and environmentally friendly policies also play an important role. Managerial competence strengthens TBL's positive impact on business performance. These findings imply the importance of managerial competence in maximizing the benefits of TBL to support business sustainability holistically.

Keywords: TBL, Managerial Competence, Performance, Business

Abstrak. Penelitian ini mengevaluasi pengaruh dimensi Triple Bottom Line (TBL) yaitu Ekonomi, Sosial, dan Lingkungan terhadap kinerja bisnis restoran di Kendari, serta peran moderasi kompetensi manajerial. Hasil penelitian menunjukkan bahwa ketiga dimensi TBL memiliki pengaruh positif yang signifikan, dengan dimensi Ekonomi dan Sosial secara langsung meningkatkan kinerja, dan kebijakan ramah lingkungan juga memainkan peran penting. Kompetensi manajerial memperkuat dampak positif TBL terhadap kinerja bisnis. Temuan ini mengisyaratkan pentingnya kompetensi manajerial dalam memaksimalkan manfaat TBL untuk mendukung keberlanjutan bisnis secara holistik.

Kata Kunci: TBL, Kompetensi Manajerial, Kinerja, Bisnis

How to Cite: Asraf & Supriaddin, N. (2024). Triple Bottom Line on Business Performance: Examining the Moderating Role of Managerial Competencies. *Indo-Fintech Intellectuals: Journal of Economics and Business*, 4 (5), 1767-1777. <http://doi.org/10.54373/ifijeb.v4i5.1809>

INTRODUCTION

Triple Bottom Line (TBL) is an increasingly popular framework for assessing business performance holistically (Khan et al., 2021; Laurell et al., 2019; Ozturkoglu et al., 2021). The Triple Bottom Line is a framework that expands a company's traditional focus from mere economic profits to three main dimensions: economic, environmental, and social. These three dimensions are known as "bottom lines" that must be considered by companies in running their business. Economic sustainability focuses on achieving profits (Schulz & Flanigan, 2016) Social sustainability aims for the advancement of humanity and society (Kiel et al., 2017) and environmental sustainability seeks to conserve natural resources (Bai et al., 2020). TBL

emphasizes that the company's success is not only measured by its financial performance, but also by how it impacts the environment and society. The concept aims to create a balance between economic needs and social and environmental responsibility, ultimately supporting the long-term sustainability of the company (Alhaddi, 2015).

TBL emphasizes the importance of organizations not only evaluating their success based on financial metrics alone, but also considering their social and environmental impact (Alhaddi, 2015; Munjal & Sharma, 2023). In the context of modern business, the implementation of TBL is becoming increasingly important due to pressure from various parties to adopt sustainable and environmentally responsible business practices and society (Mendes et al., 2023; Zaharia & Zaharia, 2021). The application of this concept is also relevant for micro, small, and medium enterprises (MSMEs), especially in the city of Kendari, where the balance between economic benefits and social and environmental responsibility is an important factor in facing dynamic business challenges (Abbas et al., 2019; Epstein, 2018). Profit as one of the components of TBL measures the economic success of an organization. In the context of MSMEs, profitability is very important to ensure business continuity. However, recent research shows that economic success is inseparable from the social and environmental impacts generated by business activities (Munjal & Sharma, 2023; Scarpellini et al., 2020). Therefore, by adopting TBL, MSMEs can increase their transparency and accountability, which in turn can strengthen relationships with stakeholders and improve brand reputation (Boley & Uysal, 2013).

The People or social dimension in TBL emphasizes the importance of the company's contribution to social welfare, be it for employees, the local community, or the wider community. Studies show that companies that prioritize social welfare tend to gain greater trust and support from the public, which can increase their competitiveness (Ariastini & Semara, 2019; Sandy et al., 2022). Meanwhile, the planet or environmental dimension requires companies to consider their environmental impacts, such as carbon footprint reduction and waste management. The implementation of eco-friendly practices not only helps preserve nature but can also create long-term economic value through operational efficiency and cost savings (Mendes et al., 2023).

Although the application of TBL in business has been extensively researched, most of the research has focused more on large companies with adequate resources to implement a comprehensive TBL strategy. Little attention is paid to MSMEs, especially in areas like Kendari, which may face different challenges in adopting this concept (Munjal & Sharma, 2023; Muñoz-Pascual et al., 2019). In addition, there is a theoretical gap in understanding how

the various dimensions of TBL affect each other in the context of MSMEs and how this impacts overall business performance (SINGH et al., 2016).

Research also shows that managerial competence plays an important role in moderating the relationship between TBL and business performance (Byukusenge et al., 2021; Velu & Manxhari, 2017). However, most studies only explore the influence of managerial competence in general without diving into how these competencies can be optimized in the context of the application of TBL to MSMEs (Khomba & Vermaak, 2012; Longoni & Cagliano, 2018). Thus, there is still a significant gap in research related to how managerial competence can effectively support the implementation of TBL and improve business performance in MSMEs. To bridge the existing gap, this study will develop a model that integrates the three dimensions of TBL with managerial competence as a moderation factor. This integration is expected to provide a deeper understanding of how each dimension of TBL can contribute to improving business performance, especially in the context of MSMEs in Kendari. This study will explore how MSMEs can maximize their profitability without sacrificing social and environmental responsibility, through the development of appropriate managerial competencies.

The objective of this study is to empirically examine the moderating role of managerial competence in the relationship between the Triple Bottom Line (TBL) and business performance. The study aims to determine whether strong managerial competence can enhance the effectiveness of TBL implementation, enabling MSMEs in Kendari to not only survive but also thrive in a competitive environment. Additionally, the research seeks to fill gaps in the existing literature on the application of TBL in MSMEs and to provide insights into how managerial competence can maximize the benefits of TBL for achieving sustainable and holistic business performance.

METHOD

This study uses a quantitative approach to evaluate the influence of the Triple Bottom Line (TBL) dimensions consisting of Economic, Social, and Environmental on the business performance of restaurant owners in Kendari City. The data collection method was carried out through a survey using a structured questionnaire distributed to 100 restaurant owners in the region. The questionnaire is designed to measure respondents' perceptions regarding their business performance and the extent to which they apply TBL practices in business operations. Data analysis was carried out using the Partial Least Squares (PLS) technique to test the structural model and verify the relationship between variables (Mendes et al., 2023). In this analysis, managerial competence is also tested as a moderation variable that can strengthen or

weaken the relationship between the TBL dimension and business performance. Moderation testing was carried out to understand the extent to which managerial competence affects the relationship between independent variables (Economic, Social, and Environment) with dependent variables (Business Performance).

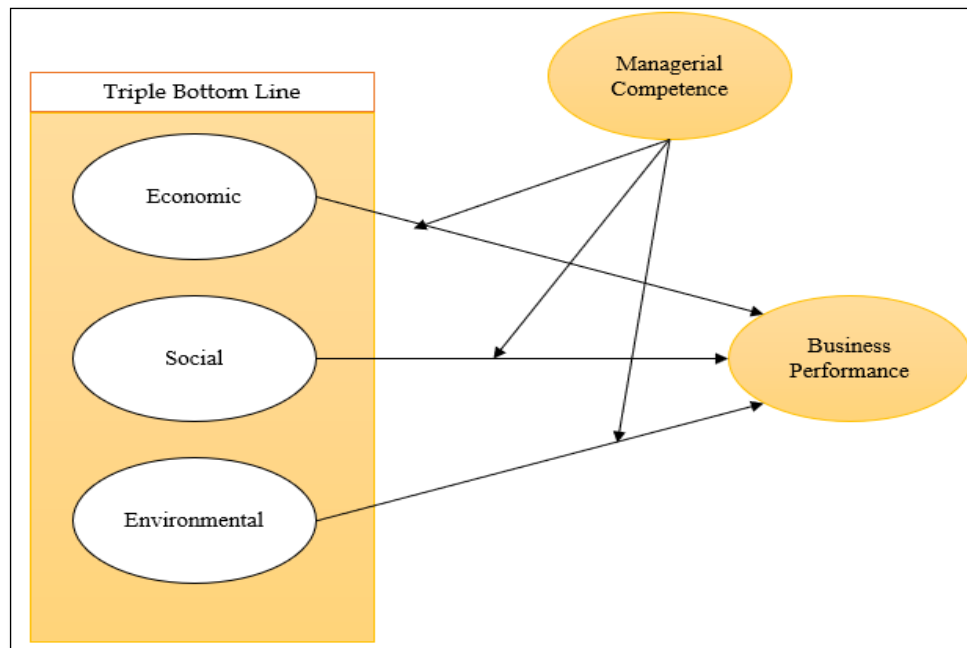


Figure 1. Conceptual framework

RESULTS

Table 1. Respondent characteristics

		Frequency	%
Age	< 38	11	11,00
	38-44	44	44,00
	45-51	38	38,00
	> 51	7	7,00
		100	100
Sex	Man	72	72
	Woman	28	28
		100	100
Educational baground	High School	14	14
	Bachelor's Degree	80	80
	Master's Degree	6	6
		100	100

Table 2. Constructs/items used in the research questionnaire

Variable	Items	Loading	Source
Economics	The investment in branding has increased the number of customers in my restaurant	0,958	(Qeke, 2019; SINGH et al., 2016)
	The marketing strategy implemented has helped maintain the competitiveness of my restaurant in the market.	0,990	
	I set competitive menu prices while maintaining the quality of my restaurant	0,967	
Social	I make employees feel satisfied with the opportunities they are given to develop new skills.	0,966	(Qeke, 2019; SINGH et al., 2016)
	My restaurant contributes to social development by employing locals.	0,951	
	I provide fair compensation as well as additional benefits to ensure employee well-being	0,967	
	I am committed to creating an inclusive and welcoming work environment for all employees, regardless of their background	0,964	
Milieu	I use local ingredients to keep the cuisine fresh and support the local economy	0,976	(Qeke, 2019; SINGH et al., 2016)
	I make sure the portions of food served are in accordance with the needs of customers to reduce food waste.	0,972	
	I use simple and efficient kitchen appliances to be more energy efficient.	0,984	
Business Performance	The food in my restaurant always meets the expectations of customers	0,927	(Qeke, 2019; SINGH et al., 2016)
	Operations in my restaurant always run smoothly	0,955	
	Sales in my restaurant are increasing every month	0,935	
	My restaurant has a good reputation	0,944	
Managerial Competence	My education helps to understand restaurant management to improve customer satisfaction.	0,993	(Qeke, 2019; SINGH et al., 2016)
	My work experience has improved my skills in managing restaurant operations efficiently.	0,988	
	My expertise in improving service quality strengthens the competitiveness of restaurants	0,989	

Table 3. Reliability and validity measures of research variables

Variable	Cronbach's alpha	Composite reliability	Average variance extracted
Economics	0,970	0,971	0,944
Social	0,973	0,975	0,926
Milieu	0,977	0,977	0,955
Business Performance	0,956	0,957	0,884
Managerial Competence	0,990	0,990	0,980

Based on table 2, 3 shown, factor analysis is used to measure the validity and reliability of several variables including economic, social, environmental, business performance, and managerial competence. Each variable is measured with multiple items, where the factor loading value indicates how strongly each item correlates with the variable. All loading factors were above 0.9, indicating a very strong correlation. In addition, Cronbach's alpha, Composite Reliability, and Average Variance Extracted (AVE) values are also calculated to assess the reliability and validity of the construct. Cronbach's alpha and Composite Reliability are above 0.95, indicating that the construct has very high internal reliability. Meanwhile, a high AVE value (above 0.88) indicates that the mean variability described by the construct is strong, signaling good convergence validity. Overall, these results show that the instruments used to measure these variables have excellent validity and reliability.

Table 4. Discriminant validity

	1	2	3	4	5
1 Managerial Competence					
2 Economics	0,055				
3 Social	0,092	0,050			
4 Milieu	0,114	0,021	0,069		
5 Business performance	0,142	0,464	0,440	0,439	

Table 4 shown is the Discriminant Validity table which uses the HTMT (Heterotrait-Monotrait Ratio of Correlations) approach. HTMT is a method used to evaluate the validity of discrimination between constructs in a research model. A low HTMT value indicates that different constructs have obvious differences from each other, while a high value indicates that the constructs may be too similar, so they do not meet the validity of discrimination. In this table, all HTMT values are below 0.5, which is generally considered an indication that the validity of discrimination between the constructs has been met. In other words, this means that each construct (Managerial, economic, social, environmental, and business performance competencies) is effectively different from each other, which is a good indicator of the validity of discrimination.

Table 5. R square

	R-square
Business performance	0,737

Table 5, shown shows the R-square (R^2) values for the Business Performance variable. An R^2 value of 0.737 indicates that 73.7% variability in business performance can be explained by a combination of independent variables measured, namely Economic (x1), Social (x2), and

Environmental (x3), with Managerial Competence as a moderation variable. This is a fairly high value, which indicates that the model has a good ability to account for variations in business performance. In other words, the independent variables selected along with the moderation used are quite effective in predicting and explaining business performance in this study.

Table 6. Hypotheses results

	Original sample	T statistics	P values
Economy -> Business performance	0,312	3,849	0,000
Social -> Business performance	0,298	3,844	0,000
Environment -> Business performance	0,295	3,875	0,000
Managerial Competence. X Economy -> business performance	0,323	3,968	0,000
Managerial Competencies x social -> business performance	0,295	3,460	0,001
Managerialx Environmental Competencies -> business performance	0,307	3,463	0,001

The results of the analysis show that Economic, Social, and Environmental variables have a significant direct influence on the business performance of restaurant owners. Specifically, the influence of Economics on Business Performance has a coefficient of $\beta = 0.312$ with a $p < 0.000$, which indicates that an increase in economic factors significantly improves business performance. Similarly, Social had a positive effect on Business Performance with coefficients $\beta = 0.298$ and $p < 0.000$, indicating that better social aspects, such as reputation and social relationships, contributed to higher business performance. Environmental factors also had a positive effect with coefficients $\beta = 0.295$ and $p < 0.000$, indicating that attention to environmental issues and environmentally friendly policies had a significant impact on business performance.

In addition to the direct influence of these factors, Managerial Competence is proven to have a significant moderating role in strengthening the relationship between Economic, Social, and Environmental and Business Performance. The effect of moderation was seen in the relationship between Economics and Business Performance with coefficients $\beta = 0.323$ and $p < 0.000$, which shows that higher managerial competence strengthens the positive impact of economic conditions on business performance. Similarly, the moderation of Managerial Competence on Social and Business Performance relations ($\beta = 0.295$, $p < 0.001$) and on the relationship between Environment and Business Performance ($\beta = 0.307$, $p < 0.001$) showed that better managerial abilities can increase the positive influence of social and environmental factors on business performance.

DISCUSSION

The results of this study show that the three dimensions of the Triple Bottom Line (Economic, Social, and Environmental) have a significant impact on the business performance of restaurant owners (SINGH et al., 2016; Svensson et al., 2018; Tate & Bals, 2018). Specifically, economic factors, such as profitability and financial stability, have been proven to directly improve business performance. This shows that a strong financial aspect provides a solid foundation for more effective and efficient business operations. Social aspects, such as reputation, customer relationships, and social responsibility, also contribute positively to business performance (Abbas et al., 2019; Aramburu & Pescador, 2019; Kim, 2019). This shows that the better a business interacts with the community and customers, the more likely it is to grow and develop. Strong social relationships help businesses retain customers and build loyalty, which ultimately improves overall business results (Depken & Zeman, 2018). Environmental factors, including green policies and attention to sustainability issues, also play an important role in business performance (Justavino-Castillo et al., 2023). This indicates that businesses that pay attention to their impact on the environment tend to gain better recognition and support from the community, which in turn has a positive impact on their performance. A good environmental policy not only improves the company's image but can also create profitable operational efficiency in the long run.

In addition, managerial competence has been proven to have a significant moderation role. High managerial competence reinforces the positive impact of economic, social, and environmental factors on business performance (Byukusenge et al., 2021; Edeigba & Arasanmi, 2022; Ralston et al., 2015; Veliu & Manxhari, 2017; Zacca & Dayan, 2018). This means that managers who have good abilities and knowledge can be more effective in taking advantage of economic opportunities, building strong social relationships, and implementing sustainable environmental policies. Good managerial skills allow business owners to make strategic decisions that take into account all these important dimensions, ultimately resulting in better business performance.

CONCLUSION

This study concludes that the Economic, Social, and Environmental dimensions of the Triple Bottom Line (TBL) have a significant direct influence on the business performance of restaurant owners in Kendari City. Specifically, economic factors such as profitability and financial stability contribute positively to improving business performance. The social aspect, which includes reputation and social relationships, also has a positive impact, demonstrating

that good interaction with the community and customers plays an important role in the success of a business. In addition, attention to environmental issues and the implementation of environmentally friendly policies also have a significant impact on business performance, signaling the importance of sustainable business practices. The moderation findings show that managerial competence has an important role in strengthening the positive influence of the three dimensions of TBL on business performance. Managers with higher competencies are able to maximize the benefits of economic, social, and environmental factors, thereby improving overall business performance.

This research provides practical insights for MSME owners, especially restaurants, in improving their business performance through the implementation of the Triple Bottom Line. By strengthening managerial competence, business owners can more effectively manage economic, social, and environmental aspects, which ultimately supports long-term business sustainability. The development of managerial competence is the key to maximizing the positive impact of the implementation of TBL. One of the limitations of this research is that it focuses on one type of business, namely restaurants in one specific geographical area, namely Kendari City. This may limit the generalization of the findings of this study to other types of businesses or other regions with different conditions. In addition, this study uses a survey method, which relies on the perception of the respondents, so there may be bias in reporting.

RECOMMENDATIONS

Further research is suggested to expand the scope of the study by covering different types of ventures and a wider geographic area to see if similar findings apply in different contexts. In addition, future research could further explore other factors that may influence the relationship between TBL and business performance, such as organizational culture or technology. The use of qualitative research methods can also be considered to gain a deeper understanding of how business owners apply TBL principles in their daily practice.

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