



## **Partnership for Sustainability – A ‘Win – Win’ case for Regional Victoria**

*A paper for the Small Enterprise Association of Australia and New Zealand 16<sup>th</sup> Annual Conference, Ballarat, 28 Sept-1 Oct, 2003.*

Mary Dunkley  
Senior Lecturer  
School of Business,  
Swinburne University of Technology,  
Melbourne, Australia  
Email: med@swin.edu.au

### **Abstract**

*This paper reviews the current literature on corporate sustainability focusing on corporate partnerships within the community. A recent partnership that has been formally developed with funding from state government and local government and support from the business community is used to illustrate such a partnering arrangement. This paper asserts that organisations that embrace a “sense of community” can maximize their opportunities by creating a sustainable future for their organisation and the community.*



## **SUSTAINABILITY – A BRIEF BACKGROUND**

Sustainability requires that problems be solved in a whole systems context which means that there must be an understanding of inter – relationships between the parts of a system i.e. social, environmental and economic in all levels of society (local community, state, country and the world). Sustainability requires that organisations can ‘learn to learn’ and embrace ‘double-loop learning’ (Argryis & Schon 1974) to maximize the social, environmental and economic capital of the organisation.

The World Council of Churches in a forum titled ‘Justice, Participation and Sustainability’ used the word ‘sustainability’ in 1975. It is apparent that the term corporate sustainability did not become truly topical until the late 1990’s as evidenced the significant number of references being post 1995 that are cited in the three definitive texts in the area, Dunphy and Griffiths (1998), Korten (1995) Elkington (1998) and Hawken *et al* (1999). The approach adopted by these authors are varied with Korten (1995) taking a pessimistic view compared to Charkham (1995) and Elkington (2001) who were both much more optimistic.

Commonly defined within corporate sustainability is Triple Bottom Line (TBL) whereby companies are expected to meet financial, social, ethical and environmental objectives. Elkington (1998) when using the metaphor of ‘bottom line’ to analyse a businesses performance suggested the term Triple Bottom Line (TBL). He wrote that companies should not be preoccupied with focusing on the economic bottom line but should also be seriously considering the environmental bottom line as well as the social bottom line. Triple bottom line reporting has been defined by Elkington (1998) as ‘reporting, which provides information about the economic, environmental and social performance of an entity’. It broadens the reporting by corporations from a financial perspective to a social and environmental perspective. The notion of reporting against the three components of economic, environmental and social performance is directly tied to the concept and goal of sustainable development. Crosbie and Knight (1998) stated that ‘Sustainable business strategy means living and working in such a way that human society will be possible for generations to come and translating that into the changes required of an individual organization – changes which maintain the organization’s capacity for producing human benefits, including the profitability needed for survival, while optimizing the environmental balance of its operations.’

Sustainable development has been defined in the Bruntland Report as ‘the development that meets the needs of the present world without compromising the ability of future generations to meet their own needs’. Corporate sustainability is the corporation’s contribution to a sustainable future through financial performance, social contribution and environmental considerations. It is not just about meeting standards or benchmarks but enhancement of our world at both a macro and micro level. It describes how corporations can create sustained long term performance whilst balancing short-term returns.

Responsible corporate sustainability should not compromise profitability but can lead to improved wealth maximisation. (Dunphy 2001) Ideologically it is impossible to criticise building sustainable corporations however there are only a minority who adopt this view with 13 % of all managed funds in Australia and USA being recognised as ‘socially responsible investment funds’. (Dunphy 2001) However of the environmentally aware organisations evidence shows that these companies are performing as well if not better than other



investments. In the USA in the period 1997-98, investment funds worth \$US650 billion have undergone Socially Responsible Investing (SRI) screening, with these portfolios having outperformed the MSCI World Index. 0(Lyster, 1999).

## **SUSTAINABILITY PARTNERSHIPS – DEVELOPING THE LEARNING ORGANISATION**

Juniper and Moore (2002) suggested that partnerships between the public and private sector generally support four sustainability strategies

1. Environmental Restoration – these partnerships seek to protect and restore sufficient natural capital. They operate such that no net loss of natural capital results from product life-cycles
2. Community Development – these partnerships assist in the development of human and social capital
3. Regulatory Development and Learning Communities – these partnerships demonstrate how new regulation and guidelines that support continuous movement towards sustainability can be established
4. Learning Communities- these partnerships provide local learning opportunities not otherwise existent or convenient.

The authors found that companies often choose one strategy to begin their partnership work, and then gradually encounter both the challenges and benefits of other strategies as the relationships between partners grow and offer opportunities to impact larger systems.

Juniper and Moore (2002) identified that best practices for sustainability partnerships included utilizing self-organizing systems to enact change that had been stimulated by the partnership; business led partnerships ; transparency of objectives, results and practices; and taking a whole systems approach. A partnership brings together a diverse group of organisations and exposes them to alternative ways of solving like problems; the impact of their organisations strategy to the community – both positive and negative affects; opportunities to create greater opportunities by working together; and a sense of community.

A partnership that is premised not on maximizing individual partners profit but rather maximizing economic development within the community leads to the development of learning organisations. Individual policies and operating standards are challenged as the individual organisation in the partnership questions, challenges and reconsiders their own operating practices, in light of what their contemporaries in the partnership are doing.

Senge (1990) popularized the term ‘learning organisations’ which built upon the work of Argyris & Schon (1974). Learning organisations are organisations that are able to learn in an ongoing way by embracing “double loop” learning. Traditional learning or single loop learning relies on an ability to detect and correct errors within a given set of operating norms. Double loop learning relies on an ability to detect an error and rather than automatically correct it, take a ‘double look’ at the appropriateness of the operating norms and then initiate action. Morgan (1997) asserted that the learning organisation must develop capacities that allow them to scan and anticipate change in the wider environment, develop an ability to question, challenge and change operating norms and assumptions and finally allow strategic direction to emerge. An environment that embraces the creation of insight and knowledge, that becomes skilled in the art of double loop learning and doesn’t get trapped in traditional management control systems is an environment that encourages organisations to act as if they were ‘brains’.



“In an ideal world, the objective of a partnership should be to create an initiative where partners work together to achieve a commonly agreed set of goals and objectives and in so doing deliver more than the sum of its individual components” (Wilson and Charlton, 1997)

A systematic approach to partnerships is particularly important for sustainable development where complex problems require many different agencies to work together. Professor Peter Newman who is developing a Sustainability plan for the Western Australian Government asserted that local government was a great place to broker initiatives, but did not necessarily have the capacity or responsibility to finish them alone. (Cousin, 2002) Professor Newman stated “ Local Governments in Victorian have a major responsibility to re-engage with their communities and rebuild the faith of communities in their first level of government, the local.”

## **CASE STUDY**

This case study describes a local government council and business partnership in Northern Regional Victoria that offer valuable insights into corporate partnerships.. It specifically offers insight into some of the difficulties experienced by the coordinating party and how government partnerships with business organisations benefit the community.

The Shire of Campaspe in Northern Victorian with support from the Department of Innovation, Industry and Regional Development has focused on creating employment and business opportunities with the creation of the Campaspe Economic Development Board Inc and the promotion of the region as an ‘Inland Sea Change’.

Echuca has a population of 11,000 and is considered to be the Shire of Campaspe’s regional hub servicing a wider community of more than 60,000 people within a 70-kilometre radius. Echuca has experienced significantly higher population growth rates than the rest of the Shire of Campaspe and the remainder of Regional Victoria. It was acknowledged as the fastest growing town in Victoria and one of the five fastest growing regions in Australia<sup>1</sup>

Campaspe’s population profile is reflective of that of Regional Victoria. The Shire of Campaspe is characterised by a large number of young families as indicated by 20% of residents in the 35 to 49 and 20% of residents in the 5 to 17 age groups. Campaspe has a slightly higher proportion of people in the 50 – 64 years old age group and a slightly lesser amount of people in the 15 – 24 years old age group compared to the profile of regional Victoria. Although it is a faster growing town, it also has a higher proportion of retirees, which is consistent with the ‘Inland Sea Change’ promotional strategy.

The Shire of Campaspe, like many Australian regional communities is undergoing drought conditions and broader economic and institutional restructuring such as private sector restructuring i.e. bank branch closures, factory closures; and public sector rationalisations i.e. council amalgamations. Partnership building is needed to ensure the sustainability of the towns within the Shire. Regional local governments have higher pressures and risks as they represent communities that are fighting for survival against the natural elements i.e. drought and fire; and the economic elements of a limited educated workforce as the youth leave their towns for the ‘big’ city. Charkham (1995) commenting on sustainability at an international

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<sup>1</sup> Australian Financial Review 19/01/2001

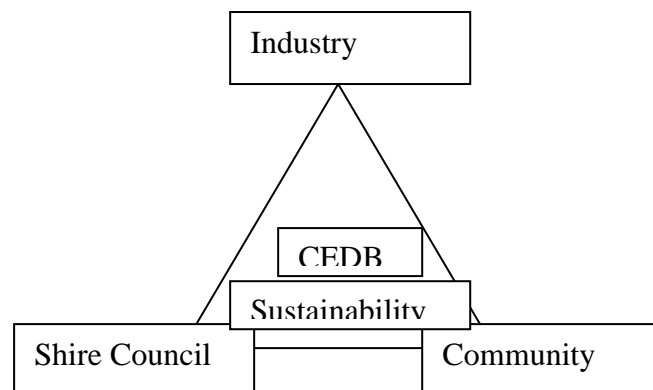


level and the competition between countries could just as easily have been describing regional Victoria when he said “ Every country (town) wants the firms that operate within its borders to flourish and grow in such a way as to provide employment, wealth, and satisfaction, not only to improve standards of living materially but also to enhance social cohesion. These aspirations cannot be met unless those firms are competitive internationally (and /or locally) in a sustained way, and it is this medium and long term perspective that makes good corporate governance so vital”

The Campaspe Economic Development Board Inc (CEDB) is the principal body for economic development in the Shire with an employee executive and a volunteer board. The Board reports to Council and the Executive Director is responsible to the Board and liaises directly with the Shire’s Chief Executive Officer (CEO). The board’s objectives are to recognise and promote business excellence, innovation and achievement throughout the entire Shire of Campaspe. The role of the board is to facilitate the expansion and diversification of the Shire’s industrial, agricultural, and commercial base as well as promoting employment creation and business opportunities. Typical board activities include business attraction, major project facilitation, identification of import replacement opportunities, facilitation of government funding programs, facilitation of business development, local advocacy, confidential information and advice relating to business development, business networking and promotion of the Shire’s competitive advantages.

CEDB was set up in 1995 from a combination of Victorian Government and Shire of Campaspe funding of 60% & 40% respectively. The Board was incorporated so as to give it autonomy, and the Executive Director reports to the Board and not to the Shire Council. This is a critical feature of the board as the recurrent funding comes from the Shire but the Executive Director of the CEDB liaises with the CEO of the Shire rather than direct reporting. The board comprises 9 members - 8 members from the business community and 1 Shire councilor. The 8 business community members represent diverse industries such as Food Processing, Tourism and Diary Farming with the size of businesses ranging from multinational to small and medium enterprises (SME’s). The Shire councilor however does not have a vote at meetings but is considered to be a contributor and has observer status.

Figure 1





The CEDB has been described as a partnership as illustrated in Figure 1 but clearly the partners do not have equal power. Industry has the total voting power but the Shire Council has a real power of veto as the board reports and recommends to the Shire Council. There is conflict between the clearly defined process of the shire Council and the adaptive and flexible approach adopted by the Board. The Executive Director of the CEDB identifies himself as a facilitator and estimate he spends 40 percent of his time in advocacy type negotiations. The Board has clear key performance indicator's (KPI's) that include creation of employment, capital investment and increase in export dollars. When asked to identify the 'keys' to the CEDB's success the Executive Director identified commitment of all parties as a significant factor.

A major observation of the CEDB is the unequal power base. The board is 100% controlled by Industry but the implementation of the strategies is subject to total veto by the Shire council. Therefore a situation can arise whereby the board has applied for and been granted a State or Federal Government Grant on condition of certain criteria being met and the Shire council will oppose that criteria. Regardless of these 'political' issues, the CEDB, Industry Groups and the Shire of Campaspe have had tremendous success more recently with the attraction of the second largest Australian retailer Woolworth's establishing a Big W store in Echuca, the near completion of an irrigation pipeline along the Mt Camel range which is expected to provide economic benefits exceeding \$100 million, \$50 million expansion of Murray Goulburn Dairy Co operative in Rochester, Heinz Watties \$10 million manufacturing plant in Echuca. In addition significant grants of \$100,000's from both State and Federal Governments have been awarded to improve the streetscape of towns within the Shire of Campaspe.

## CONCLUSION

Korten (2001) wrote "A healthy society is built on the balanced interaction of three distinct yet interlinked sectors of activity: civic, governmental, and economic." An active civic sector is the conscience of society, government is the authority to which the civic sector gives power, and the economic sector specializes in the production of goods and services.

The partnering of local government with business entities is a perfect example of interlinking the three sectors of society that is civic, government and economic. Elkington (1998) suggested that sustainability represented a fundamental paradigm shift transforming personal values, political visions and societal mores

" economic efficiency towards social equity, from individual rights to collective obligations, from selfishness to community, from quantity to quality, from separation to interdependence, from exclusion to equality of opportunity, from men to women, from luxury to necessity, from repression to freedom, from today to tomorrow, and from growth that benefits a few to genuine human development that benefits us all".

The Campaspe Economic Development Board Inc reflects a successful partnership for sustainability. This is an area where large multinational organisations and governments of countries can look at what is happening in the regional sector and emulate it on a larger scale. The strong desire for survival against economic and environmental factors has been a key motive for parties in regional Victoria to pursue partnering strategies to ensure their respective survival. As a consequence opportunities for growth and expansion have arisen and as such all parties are in a 'win- win' situation.



This observation has important implications for the practical application of research in the sustainable practices field. The extensive research on environmental sustainability is to be applauded and could be enhanced by further research on successful partnerships between the three sectors of society. Partnering for sustainability is a critical area for business and local government and Regional Victoria must encourage and support research to ensure successful partnerships are encouraged that ultimately ensure future growth in the region.

Further research on Partnering for Sustainability will enable government and government-funded bodies to have a clearer focus on how organisations and the community can work together to ensure the survival and enhancement of all parties concerned.