On May 9 the Treasurer, Mr Peter Costello, handed down the Howard Government’s fifth Budget. For the fourth year in a row, the Coalition delivered a budget in surplus. But the financial markets were not immediately convinced and the Australian dollar dipped on news of the surplus. Arguments immediately began to rage about whether this year’s surplus was in fact a structural surplus or whether the government had used the sale of an asset to improve the budget’s bottom line.

But what about our nation’s natural asset base? If we accept the estimate that degradation of our natural environment costs us $2 billion a year, why does that not seem to be factored into the financial market’s assessment of our economic performance?

In a similar vein, do we ever see the share market factoring in environmental impacts when it makes judgements on a company’s profit performance? We have seen in the past the morally disturbing situation of major corporations announcing the shutdown of operations, costing the jobs of thousands of workers, and their share value jump in response. Have we ever seen a company’s share price jump in response to the implementation of good environmental policy?

If we looked at the annual financial statements of our major companies, we would see financial values allocated to items such as capital equipment, buildings, inventory and other assets. We would see revenues from sales and expenses for labour, marketing and other items. We would also see figures relating to expenditure on resources for the production process. But how many of these financial statements would include an analysis of the health of the natural resources upon which the company relies?

Our agricultural industry provides the most obvious example of how misleading the concept of productivity can be in judging the long term viability and health of an industry.

For decades we considered productivity in the agricultural industry to be based on how much produce could be obtained per hectare of land. Equal attention was not given to what impact that increased production was having on the health of the land itself. We are now seeing the results in terms of degraded soils and rivers and the ever-growing problem of dryland salinity. In generating profits, the industry has run down its natural asset base to the point where it is now costing the nation hundreds of millions of dollars each year in lost production and will take billions of dollars to repair.

All of these examples underline that while the environment is now a mainstream political and community issue, there is still a long way to go before it becomes a core part of our economic decision making processes.

But economic growth is not an end goal in itself. Our community also expects social cohesion, a sound and fair welfare system, adequate health...
and education services and, of course, a healthy natural environment. So we have sought to deliver reform in all of these key areas.

But all too often our performance as a government is brought down to an individual economic statistic – the budget surplus, the latest economic growth figure, the current account deficit, and so forth.

If we are to move our economy to a truly sustainable basis, we must bring about a change in culture within both Australian industry and the broader community. We must develop a culture where the environmental value and social value added by an action is as significant in assessing its worth to the nation as the economic value it brings.

**Should environmental and social safeguards be written in to the WTO rules?**

This is the concept we know as the triple-bottom line. It's the traditional bottom line profit of a company, with the added dimensions of social and environmental accountability.

While it appears on the surface to be a reasonable and logical concept, putting it in to practice throws up some obstacles. The reason why we've always seen growth in terms of economics is that it is easy to place a monetary value on things such as goods produced or increases in prices.

How do we transpose such measures on the environmental and social consequences of our actions? We already have some of the way in overcoming these empirical problems. As I said, we have established measurements for economic values.

Much work has also been done both in Australia and overseas to establish a credible range of indicators to measure the health of our environment.

In July we hosted a conference of the International Society for Ecological Economics and an Environmental Economics Round table to further progress this work. The UN, among others, has done work to establish benchmarks and measurements for social conditions, including labour standards.

The challenge we face in developing the concept of triple bottom line accountability is to bring all these areas together.

For example, an old technology lead smelter brings with it obvious economic benefits. It is easy to measure the output of the smelter along with the costs involved in operating it. The smelter also brings a social benefit to the community by providing jobs – again a factor which is easily measureable. But what of the smelter's long term impact on the health of the population, in particular the children?

In terms of the environment, how do we incorporate the greenhouse gas emissions caused by energy use at the smelter into the company's bottom line performance? At which stage do we make the judgement that the long-term negative social and environmental factors might outweigh the short term economic benefits?

Striking the right balance between the economic, social and environmental values of our actions is the essence of sustainable development. But in attempts so far to achieve this, it appears that old habits die hard. Whereas the OECD has developed programs to guide its members on policies to achieve sustainable growth, it still couldn't bring itself to amend its own charter to replace the goal of economic growth with one of sustainable growth.

Similarly, the World Trade Organisation with its goal of achieving growth by reducing protectionism has not been able to factor in the cost of this policy to the natural resource base. Should environmental and social safeguards be written in to the WTO rules? Now both the US and the EU say yes.

The first step in embracing the concept of the triple bottom line must be the acknowledgment that sustainable development does not mean that companies should abandon the goal of profitability. In fact, by forcing industry to focus on the long term security of its natural resource base, triple bottom line reporting can help ensure industries remain profitable into the future.

The fishing industry, for example, could make record profits in the next few years by increasing its take in sensitive fisheries. But if the resource is over fished now, the industry will ultimately suffer in the long term. The communities and regions the industry supports will also pay the price.

Likewise, forcing an industry to focus on its social impact can potentially save it money down the track through avoiding class action suits and save the community costs in terms of avoiding increased demand on health and welfare services. Social performance can also affect consumer attitudes to a company.

But sustainable development cannot be allowed to become just another motherhood statement or slick marketing tool - something everybody says they believe in but always find excuses to avoid implementing. True sustainable development demands that an enterprise be financially profitable, must minimise or eliminate its negative impacts on the environment, and must conform with the expectations of the society it serves.

The clear message we should be hearing is that the goal of making the economic pie is going to be insufficient in future. A larger pie will be only one element of success. The community wants the costs of making the pie to be taken into account. And it wants to see that it is benefiting all the community.

I think it’s fair to say that Australia has been a little slow in understanding this new reality. I’ll give you two topical examples.

Global warming is the first. If the way we have traditionally expanded our economies – by burning more carbon – has resulted in 40 per cent of the polar ice cap being lost in the last 10 years, then something is clearly wrong. We don't know the full consequences of global warming but there is sufficient evidence to demand a more energy efficient economy – emitting less greenhouse gases per unit of production. And it also may cost a bit (at least in the short term) in economic growth.

Trade in living modified organisms is the second example. The development of living modified organisms might increase productivity. The orthodox view is therefore that uninhibited trade in such organisms will increase global growth. Obstacles to that trade are therefore frowned upon. However, what if one fears the consequences to the natural system of meddling with
While we continue to ignore the social and environmental aspects of production and wealth, the bills for degradation of our soils and waterways, the increased pollution in our cities, and the increased costs of health and welfare services, employee absenteeism and social dislocation will continue to mount.

[An edited version of an address by the Federal Minister for the environment and Heritage, Senator the Hon Robert Hill, to the John Stuart Mill Society in Adelaide on 13 June 2000]

**FAREWELL**

Da bo’ch chi
Pob bendith am y dyfodol
Ar ddiveed ei dymor o daire blynedd fel Llywydd
BHERT, mae’n gadael y sefydliaid mewn cyflwr llawer gwell, tystiolaeth i’w frwdfydded, dyfal-barhad a’i arweiniad ysbydoliedig. 1

Roland assumed the Presidency of BHERT at the same time I became Executive Director.

During the past three years Roland has been a tower of strength in contributing unselfishly of both his mind and his time to BHERT. I have enjoyed the working relationship and the boundless energy of the man, his unfailing courtesy and his constructive and ready response to issues as they arose. His genuine commitment to BHERT was demonstrated by his willingness to accede to the Board’s request to serve an extension of one year as President in addition to the normal two-year term.

Roland has been a very powerful advocate for the importance of higher education to the future of this country. He has been forthright in his views of the need for greater collaboration between business and higher education if we are to compete effectively in a global marketplace.

On behalf of BHERT, myself and Anne, I would like to wish Roland all the very best for the future.

Ashley Goldsworthy

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1 Goodbye and all the best for the future. At the end of his three year term as President, Roland Williams leaves BHERT a much more dynamic organisation because of his enthusiasm, commitment and inspired leadership.
THE TRIPLE BOTTOM LINE: SHAREHOLDERS SOCIETY SUSTAINABILITY

Timely, credible, and consistent information on an organisation’s economic, environmental, and social performance is a key element in building sustainable societies. Communities, investors, governments, and businesses need reliable information to effectively address the development challenges of the 21st century.

The Global Reporting Initiative (GRI) was established in late 1997 with the mission of developing globally applicable guidelines for reporting on the economic, environmental, and social performance, initially for corporations and eventually for any business, governmental, or non-governmental organisation (NGO). Convened by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP), the GRI incorporates the active participation of corporations, NGOs, accountancy organisations, business associations, and other stakeholders from around the world.

The GRI’s Sustainability Reporting Guidelines were released in exposure draft form in London in March 1999. The GRI Guidelines represent the first global framework for comprehensive sustainability reporting, encompassing the “triple bottom line” of economic, environmental, and social issues.

Twenty-one pilot test companies (including Shell whose Australia’s Chairman has contributed to this volume), and a diverse array of non-corporate stakeholders commented on the Draft Guidelines during a pilot test period during 1999-2000. Revised Guidelines were released in June 2000.

By 2002, the GRI will be established as a permanent, independent, international body with a multi-stakeholder governance structure. Its core mission will be maintenance, enhancement, and dissemination of the Guidelines through a process of ongoing consultation and stakeholder engagement.

A generally accepted framework for sustainability reporting will enable corporations, governments, NGOs, investors, labour, and other stakeholders to gauge the progress of organisations in their implementation of voluntary initiatives and toward other practises supportive of sustainable development. At the same time, a common framework will provide the basis for benchmarking and identifying best practises to support internal management decisions.

The GRI’s Sustainability Reporting Guidelines are designed to assist organisations publish reports:

- In a way that provides stakeholders with reliable and relevant information that fosters dialogue and inquiry;
- Through well-established reporting principles, applied consistently from one reporting period to the next;
- In a way that facilitates reader understanding and comparison with similar reports;
- In a form that provides management across different organisations with valuable information to enhance internal decision-making.

Some examples of the specific indicators recommended in the guidelines:

**Economic**
- investments in human capital;
- nature and location of outsourced operations;
- labour productivity levels.

**Environmental**
- total energy use;
- use of re-cycled materials;
- water sources significantly affected by the organisation’s use of water.

**Social**
- employee retention rates;
- job satisfaction levels;
- investment per worker in illness and injury prevention.

This volume of BHERT NEWS includes comments from both business and academe on the implications of these latest developments.
CAN AUSTRALIA PLAY A LEADING ROLE IN THE CORPORATE SOCIAL RESPONSIBILITY DEBATE?*

Meeting society’s expectations

Society now expects more from business than simply generating profits. Increasingly, we are recognising that to survive and prosper, business must deliver against what has become known as the ‘triple bottom line’ of economic, social and environmental performance.

Responding to society’s changing expectations is the major leadership challenge facing global business. It will require business to actively engage with a wider, more diverse group of stakeholders. And importantly it will require a greater willingness to listen, to understand and to discuss social and community issues, often with people who have very different points of view.

While the emerging debate about corporate social responsibility is, by its nature, international in character, I believe it is one in which Australia can actively engage and lead. Without question, Australia has something to offer the rest of the world in this area. This nation is justifiably proud of the transparency, independence, integrity and capacity of its institutions.

The drivers of the corporate social responsibility debate

Why is it that the issue of corporate social responsibility or sustainable development is receiving increasing attention? The role of business, and the morality or ethics of multinationals is hardly new ground for public debate. However, there are a number of new forces which are altering the nature of this issue and bringing it to the fore. In particular, the increasing willingness of communities to form judgements and to exercise choice - itself a function of rising education, the spread of communications technology in the consumer market and increasing wealth. And the changing role of the private versus public sectors in modern economies is adding a new urgency.

We are now in a world where people are withdrawing their trust from business and other institutions unless it can be demonstrated such faith is warranted. Shell characterises this as a move from a “trust me” to a “show me” world and even now to an “involve me” world - with all the obvious implications for the way in which business must communicate and must be seen to communicate with its stakeholders.

Increasingly, views formed as a result of consumer perceptions of company ethics, values, honesty and behaviour are translating into purchasing and investment decisions. Although wide variations exist, rising wealth is allowing consumer choice to be based increasingly on personal values, rather than need.

Dilemmas facing business

Some examples from the oil and gas business help draw out different aspects of this debate.

The Sydney oil spill

The first example relates to an oil spill at Shell’s shipping terminal in Sydney Harbour in 1999. In August, a contracted tanker discharged some 300,000 litres of light crude oil from a sub-sea valve into Sydney Harbour. The story dominated domestic and international news headlines in the days that followed as the complex clean-up progressed.

Within hours after the spill, Shell made a statement indicating that we felt ownership of the clean-up and a strong sense of responsibility for what had happened. We apologised to the people of Sydney and committed to do whatever was necessary to clean-up. The legal issues could wait.

As it turned out, the contract vessel owners admitted fault within 24 hours, and Shell’s course of action was applauded. Management of this incident required a judgement call, and in all such cases a responsible company needs to balance the potential of exposure to liability against what the public rightly expects as acceptance of responsibility.

Social investment in developing countries

The second example relates to social investment in developing countries. Shell has a long history of operations in developing countries many with high rates of poverty and a lack of basic infrastructure.

* Based on a presentation given to the Sydney Institute in May 2000.
Previously, the prevailing view was that the best thing we could do was to invest in physical infrastructure – the building of hospitals or schools or power or water supply facilities. It is only relatively recently that the emphasis has switched to the need to invest in assisting the development of social capital. It is pointless, after all, to have physical assets in place if there is not the local skill base to use them and the legal and social institutions to leverage from them to address the root problem of poverty.

This point abbreviates what is a very large area for discussion, but one in which it is increasingly recognised business can play a positive role.

**Greenhouse and the Kyoto Protocol**

The third example relates to the difficult issue of climate change. Shell takes the view that on the balance of evidence, the man-made greenhouse phenomenon presents a serious potential threat to the global environment and that some action now is warranted. We support the Kyoto process, where developed countries have signed onto national targets, but we see it as the first step in a long road.

However, the Kyoto agreement, which is yet to be ratified, is the product of a political negotiation process. It does not, for example, include developing countries in the framework of national targets. This presents a real problem for Australia. Unlike other developed countries we are a major energy and energy intensive exporter competing directly with Asian-based producers. Requiring local industries to cut emissions increases our costs and risks handing markets to operations that are less greenhouse-friendly in countries that do not share Australia’s commitment on climate change. The result could be to exacerbate, rather than alleviate, the global problem.

**Some directional principles**

Those briefly stated examples provide something of a practical entree to a set of directional principles based on lessons Shell has learnt, sometimes painfully, over time.

**Make sure what you say matches what you do – internally and externally.**

Nothing is likely to galvanise community protest and action against a company more than if it appears to hold ‘double-standards’. It will also undermine morale within an organisation - amongst your employees. You cannot say for instance that you take safety seriously, and continue to have mishaps and incidents. You cannot say that you take corporate social responsibility seriously, and then not engage effectively with the communities in which you operate.

**Communicate – and listen**

Too often companies take a ‘Decide, Announce, Defend’ approach to their actions. But it is important that communities affected by decisions understand the reasons for the decision, and that community concerns are listened to and understood by companies and acted upon.

In the case of the Sydney Harbour oil spill, it was a critical advantage to us to have had a long history of engagement with our neighbours in the vicinity of the terminal. Generally speaking, the presence of the terminal is accepted at the community level and it is recognised that we are serious about trying to be good corporate citizens in the neighbourhood.

Such engagement is not achieved by hiring consultants to do it for you. It is achieved by opening a dialogue with the community, and across the company. Its success is predicated on the commitment and competence of your own management and employees to deliver on community expectation.

**Don’t underestimate the effort**

All this takes time and effort. It is surprisingly easy to avoid doing, particularly when there is often little short-term or sometimes even long-term quantifiable benefit to the bottom line.

It requires continuing management commitment, time and sometimes significant resources.

For example, in 1996 Shell undertook a global program of dialogue with people to understand society’s expectations of multinational companies, and another to explore the reputation, image and overall standing of the Group around the world. This involved nearly 9,000 people in 35 countries. It was a very substantial undertaking - possibly the biggest corporate listening exercise in history - but very valuable.

Australia can play a leading role in this developing debate if as companies we make sure what we do matches what we say we are going to do, we listen and respond to the views of the community and put the time and effort required to meet these new levels of expectation. It will not be easy but well worth the effort.

PETER DUNCAN
Chairman and CEO, Shell Australia
SUSTAINABLE DEVELOPMENT – WHERE TO START?

Anyone searching for a standard definition of sustainable development may find it an un-rewarding task. Such is the nature of the concept that it will always prove slightly elusive.

Even a basic definition – such as balancing economic, societal and environmental needs – begs questions of how these needs are to be accounted over time and by whom.

Such intangibility may appeal to some, but it is also a key factor which sorts out people who believe in the concept, to those who do not, or cannot. From a business perspective to practically address sustainable development issues may mean you have to be comfortable with its lack of definition and the uncertain outcomes it may generate.

This lack of clarity should not stop us from doing things which will improve our current environmental performance. Indeed there should be little difference between how we address sustainable development issues compared with how we address any complex or ill-defined management issue which may face an organisation.

No one of course has all the answers, but there are some fundamentals which we have been implementing at CSR as an early step as momentum gathers on sustainability and related principles.

As with any major and loosely defined issue there is first a need to have some type of management framework to provide direction and any necessary checks and balances.

Typical management frameworks include policies and other documents which spell out expected performance supported by reporting and review systems. The length and breadth of such a framework will naturally vary. As an example, at CSR our approach to safety, health and environmental performance is guided by a policy which in turn is supported by detailed management systems.

To be effective these documents have to be meaningful and implementable - and it should be no different for sustainable development issues. In fact the type of systems in place for safety, health and environment issues within a corporation can readily lend themselves to managing sustainable development issues within a corporation as such systems are essentially vehicles for change.

This is true for other processes commonly in place within a corporation. A critical aspect of CSR’s safety, health and environmental management is the role played by a Board sub-committee, which includes the Chairman, non executive directors and myself.

The committee meets four times a year to receive reports from management and review the adequacy of management systems and our performance in safety, health and environment. The sub-committee also ensures appropriate improvement targets are in place and monitors community expectations, research and technological changes. CSR also has in place an audit process which is well advanced in combing over our 600 sites world-wide to identify improvements in environmental performance.

The point of these examples is to show that vehicles to drive change are usually a well accepted part of an organisation. As the need to address sustainable development issues grows stronger, it will be these vehicles which will provide a ready-made framework to deliver change.

Of course the real value of such systems is in the opportunities for improvement that they generate. And to my thinking there is no better example of generating value in the sustainability area than the practical advantages of using less to produce more.

At CSR we have set some ambitious waste and resource use reduction targets - our aim is to reduce waste material by 50% in five years (from 1999 levels), energy consumption by 20% in three years and water use and air emissions by 30% in three years.

Quality monitoring systems are required for such an undertaking and are a time consuming part of the equation, but the benefits in licensing and production costs easily outweigh these.

Sustainable development’s focus on people and society is another opportunity to generate value. Employees, customers, neighbours and decision makers – to identify a few – all have a role to play.

At CSR many key safety, health and environmental improvement targets form part of key performance measures for managers.

We also have requirements to ensure ongoing dialogue and interaction with the local communities in which we operate. Each of our Australian sites is expected to have in place a community relations plan where key stakeholders are consulted about our performance and their expectations. This is particularly important as to be competitive many of our operations, such as quarries and major manufacturing facilities, need to be near urban centres. It is not just a matter of talking to, but of talking with, and listening to, these rightfully interested parties.

For CSR there have been some notable gaps in our success on such issues. For example CSR has not been able to extract the full stone reserves in some quarries because of inadequate management of community pressures. We also pulled out of a proposal for a waste facility due to public opposition - the point here is that we did not recognise important signals from the community about our proposals.

Such outcomes are significant learning experiences and also serve to reinforce how fragile a corporate reputation is in such circumstances.
Of course the elusive nature of the sustainable development issue means that the list of what may have been done by an organisation is always going to be shorter than the list of what could be done. Indeed there is a real need for companies such as CSR to be part of the debate on the issue, if for no other reason than to understand the nature of the issue and its driving forces.

At CSR our main focus is supplying materials to the building and construction industries. We therefore need to be focusing on issues associated with “sustainable construction” which is emerging in the US and Europe as a key driver in those markets. There is also value in looking at the life cycle of some of our products to see what additional benefits can be accrued for our customers. Already there is focus on recycling and minimisation of waste at the construction site which fits into our desire to ‘use less to produce more’. Recycling of old concrete is such a case. And last, but by no means least, there is a need to broaden the input from external groups on our activities, again to ensure we understand the nature of the outside agendas which ultimately affect our businesses.

Some of our products already neatly fit into the sustainable development agenda: bricks have a significant insulation ability thereby reducing heating and cooling impacts for buildings. We manufacture Bradford insulation - again with a significant ability to reduce energy use for heating. On the stormwater side the “Humeceptor” has the ability to remove fine particulates and hydrocarbons from stormwater – a unique product in this area. Our focus on quarry rehabilitation is delivering areas back to communities for the enjoyment of future generations. Despite the progress we are beginning to make, these are small steps forward on a very long journey.

A key to moving forward on the sustainable development issue however is recognising and maximising the use of vehicles for change which already exist within a corporation - just like they have been used over much longer periods to address similarly complex issues and agendas.

The difference with the sustainable development is that at the present time it remains slightly elusive. Perhaps this is the way it should be because once it is defined there will be a tendency to say “we have made it”.

CSR is an international building materials group with markets in the United States, Australia, New Zealand and Asia. The company also operates sugar and aluminium businesses in Australia. For more information: www.csr.com.au

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**THE TRIPLE BOTTOM LINE: PROFIT, PEOPLE AND SUSTAINABILITY**

While none of us have access to a crystal ball – if I was to predict the most significant change that will occur in business in the first decade of the new millennium, it would be the increase in focus on the triple bottom line. More and more organisations are coming to the realisation that focus on shareholder wealth goes hand in hand, with focus on the community and the environment. More are realising that these three are inter-dependent, that one enhances the other.

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**PETER KIRBY**

Managing Director

CSR Limited
At this time, the Australian economy is strong, and it has been so for several years. We are inundated with “statistics” that tell us that we have never had it so good. There is cause for pride and confidence. However, if it is true that 3% of Australians now own over 50% of our private wealth, and that the bottom 30% in our “wealth triangle” now owe more than they own, then our egalitarian dream has passed us by. How is it that our social welfare agencies are on overload - there is not enough soup for the kitchens! While we may have a few “bludgers”, first hand experience in my role of Lord Mayor, took me deep into issues of homelessness, drug, alcohol and gambling addictions, long-term unemployment and the disadvantaged. I am astounded by the number of people whose life gets “off the tracks” for a range of reasons, and who need help to restart their lives. Family breakdown, sexual and physical abuse, alcoholism, unemployment and the related loss of personal esteem, dominate the scene. Drug addiction is arguably the greatest challenge to the Australian way of life that we have faced since World War 2.

The contrast and dilemma of improved economic performance conflicts with the realities of our nation’s socially disadvantaged, and those that are being left behind.

“… Many of their products are designed to be recyclable. There is more, much more. But like many other things, too much is left to too few …

While my visit to the Davos Economic Forum in 1999 was a great experience, the world leaders who were present left me wondering whether we really understand the global economy and what the long-term social ramifications will be. Capitalism is growing, and despite its’ shortcomings, will continue to expand. So will the demand on Corporate Australia to help pick up the pieces left in the wake of economic change as we move from the industrial revolution into the information/knowledge era.

Prime Minister Howard’s appeal to business to be more philanthropic, more community focussed, was appropriate, and timely, but we need more debate and information about the future demands that the community will put on business as the wealth gap grows and government resources are stretched.

I continue to be amazed by the number of people who believe that Corporate Australia and particularly foreign multi-nationals are devoid of care for the community. I am also impressed by those businesses that already do an outstanding job of focussing on the triple bottom line. Among the “stars”, from my viewpoint, is The Body Shop in Australia, headed by Graham Wiesse. They allow their employees regular time off to get involved in their community. They support The Big Issue, a street magazine that provides meaningful work to the unemployed. Many of their products are designed to be recyclable. There is more, much more. But like many other things, too much is left to too few. It seems to be the same old names that are concerned with the communities in which they operate, and the environmental impact of their products or processes. Some appear to meet environmental regulations only because they have to.

I am told that the organisers of last years forum in Davos, did not believe the result, when they asked many of the world’s leading business people, academics and statesmen, to nominate the number one concern that they have about the future. They were, I understand, told to go back to their computers and input their issue again. Same result! Global warming!

As an adjunct professor at RMIT, my lectures to hundreds of students give me the same feedback. Young Australians do not believe that my generation has done enough to protect the environment. The good work done by many, is lost in their minds by the catastrophes caused by a few.

While mining can be aligned with some of these catastrophes, I believe well-managed mines and their related mining towns provide a model for the triple bottom line. There is an obvious link between the profit, the people and the sustainability that is not always recognised in a larger industrial environment. The dozen or so best practice car plants throughout the world also provide food for thought on this issue. The great majority were built on “greenfields” in or near small rural communities - communities with which the company involved could identify.

Having tried to find a clean green leaf, or a bird, in some of the great cities of industrialised China, I understand the Australian governments attempt to find the balance between economic growth and environmental sustainability. National commitments are necessary. But more important is the need for more businesses to lift their hurdles, set the pace, realise that more and more of the investment community are looking for the companies who optimise the link between the “big three”.

The Business/Higher Education Round Table is, in my opinion, a wonderful forum to progress this issue. Many of our great Universities have pathways for business to improve their research, technology and performance in sustainability. Our business schools can strengthen their emphasis on the issue.

The Body Shop does not advertise in print or electronic media. It relies on people like me, and enthusiastic employees to talk up the company and its brand. Its’ shareholder wealth is doing well.

Investment and media analysts have a role to play here as they, like our business schools, come to realise that “making the numbers dance” will not be enough for the future. They too, will realise that business is really all about “profit, people and sustainability”. There is no doubt in my mind that the combination of capitalism and the globalisation of the economy will bring great and exciting rewards for the majority. I also believe that they will require a deeper involvement by “the winners” in their communities and their environment – to help the “losers”.
At the dawn of the 21st century, business has come to occupy a central position in our lives. We feel its presence not just economically, but socially and politically. Unparalleled economic growth, technological advances and globalization have cast the corporation in the role of leader and innovator. Barely a corner of society remains untouched by the corporation's influence.

With societal expectations high and the stakes higher still, business is responding to these new global realities by re-examining and restructuring its traditional roles as corporate citizens. The firms who have found the most success are those who understand that corporate citizenship, at its core, is a relationship engagement strategy. Relationship building is among the seven Standards of Excellence in Corporate Community Involvement, a set of guiding principles and practices, which the Boston College Center for Corporate Community Involvement developed with its member companies. Firms that adhere to this standard “recognize that building and maintaining relationships of trust with the community is a critical component of company strategy and operations,” the Standards states.

The most successful relationship building strategies maximize employee involvement. Corporations are abstractions and cannot as institutions exercise citizenship roles. Individuals within the corporation, however, can, and they do exercise these roles on behalf of the organization. Employees put a face to corporate citizenship for both the community and the company and it is these relationships that ultimately determine the effectiveness and impact of the company’s corporate citizenship. Many leading companies have found exciting ways to engage their employees in citizenship efforts. Some recent examples include:

- Prudential Insurance Co. More than 20,000 Prudential employees along with friends and family participated in Prudential's Global Volunteer Day in countries across the globe.
- In the UK employees of a department store worked the last hour of each day gratis with the proceeds going towards childrens programs.
- Target Stores in the United States has more than 58,000 employees and their children and families focus on community service projects. This family model has yielded great returns to the company and community.

A number of companies such as Home Depot utilize teams of volunteers on community projects that yield great benefits to the business in terms of leadership and teamwork in addition to the obvious benefits to the community. Fostering employee involvement in community activities also gives companies an edge in attracting quality workers. There is growing evidence that employees want to work for companies that invest in the communities and environments in which they operate and who manifest a commitment beyond the bottom line of shareholder value. This is no small benefit in the current war for talent.

Any corporate citizenship strategy not grounded in sustainable relationships in communities and with key institutions and influential will remain at the vision and aspiration level and will never be rooted in the communities and environments from which businesses derive their license to operate. However, relationship building must occur internally as well as externally. Among the biggest challenges businesses and institutions face when in moving to the new corporate citizenship is in creating effective strategies. Most companies have taken a tactical, rather than strategic approach to corporate citizenship. They have scattered their efforts throughout the organization, charging some units with community relations and contributions while having others concentrate on environmental concerns or ethics or human rights. Traditional models have reflected more reactive and sometimes paternalistic approaches that rely on formal programs such as philanthropy or contributions. Other approaches rely heavily on the public relations model. But in a world made transparent by the Internet, this method is hopelessly outdated.

Yet the realities of globalization require companies to fully embrace their roles as corporate citizens by linking together each component of a corporate citizenship strategy and tying each to the core of the business. Corporate citizenship is not the function of a single unit, such as community relations; it is a cohesive organizational strategy.

Like the quality movement, corporate citizenship must be driven across the company, incorporated into all aspects of the organization and owned by all employees. This strategy carries the corporation far...
beyond its natural terrain of economic activity to a new set of roles, rights and responsibilities. In this territory, stakeholders take their place next to the shareholder, and the company finds itself in a landscape where economic wealth is intertwined with community health. Here, a company will find its ability to thrive depends on how well it addresses such issues of education, community development and the environment.

The building blocks to corporate citizenship are sustainable relationships. By fostering employee involvement and ownership of the corporation as a citizen, the company can succeed in maximizing its citizenship strategy and will find new ways to increase employee commitment and loyalty while building significant reputational value for customers and other key external stakeholders. The relationship strategy that underlies corporate citizenship and engagement is only now being understood and incorporated into practice through tools such as the Standards of Excellence. While it may be critical for a company to deal with human rights or sustainable economic development or an educational initiative, this cannot be accomplished without active engagement with key stakeholders. Solutions to issues of corporate citizenship take place on the ground, not in the boardroom. This new citizenship calls for highly developed knowledge and skills in creating sustainable relationships that in turn will build the trust and reputation of the company within its external and internal communities.

Boston College Center for Corporate Community Relations STANDARDS OF EXCELLENCE IN CORPORATE COMMUNITY INVOLVEMENT

STANDARD I: Leadership
Senior executives demonstrate support, commitment and participation in community involvement efforts.

STANDARD II: Issues Management
The company identifies and monitors issues important to its operations and reputation.

STANDARD III: Relationship Building
Company management recognizes that building and maintaining relationships of trust with the community is a critical component of company strategy and operations.

STANDARD IV: Strategy
The company develops and implements a strategic plan for community programs and responses that is based on mutual issues, goals and concerns of the company and the community.

STANDARD V: Accountability
All levels of the organization have specific roles and responsibilities for meeting community involvement objectives.

STANDARD VI: Infrastructure
The company incorporates systems and policies to support, communicate and institutionalize community involvement objectives.

STANDARD VII: Measurement
The company establishes an ongoing process for evaluating community involvement strategies, activities and programs, and their impact on the company and the community.

Social Capital is an important new concept to hit the world of academia and government policy, and it should become a key concept in business thinking too.

Why bother with social capital? Because:
• It creates a healthy community, and a healthy community is good for business,
• It links the organisation to its community, and is a crucial indicator of ‘corporate social responsibility’,
• It creates a wider social/economic milieu of optimism and trust, thus for example decreasing transaction costs considerably,
• It creates the conditions for collective problem solving within the firm and within the wider community,
• and serves as a multiplier effect in new investment
• It probably directly impacts the organisations productivity levels

[continued overleaf]
Social Capital is one of four or five main types of capital, all of which are important to a healthy economy (the others being financial, physical, human or cultural capital and natural capital). Social capital is the least well understood form of capital. Yet we already know enough to realize that it has potentially positive effects for the wider community in which the firm is located, but also positive effects within the organisation itself. To ignore it is to create unnecessary damage both inside and outside the organisation.

**So what is it?**

Social capital as a concept has gained enormous interest in post modernist countries over the past decade. Its “discovery” coincides with fears of its demise, at least in the United States. Its importance lies in its reference to the basic raw material of civil society. Putnam defined social capital as “those features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993).

Social capital has a number of important features:

- It is about interlocking networks of relationships between individuals and groups. People engage with others through a variety of associations. These associations must be both voluntary and equal for maximum effect. They represent an expression of freely formed mutuality. Individuals acting on their own cannot generate social capital. It depends on a proclivity for sociability, but a spontaneous sociability, a capacity to form new associations and to cooperate within the terms of reference they establish.

- A second common theme is reciprocity. This is not the immediate and formally accounted exchange of the legal or business contract, but a combination of short-term altruism and long term self interest, or what de Toqueville called “self interest rightly understood”. The individual provides a service to others, or acts for the benefit of others at a personal cost, but in the general expectation that this kindness will be returned at some undefined time in the future in case of need. In a community where reciprocity is powerful, people care for each other’s interests. At the psychological level this refers to prosocial behaviour.

- Another common theme refers to trust. Trust entails a willingness to take risks in a social context based on a sense of confidence that others will respond as expected and will act in mutually supportive ways, or at least that others do not intend harm. As Fukuyama defined it:

  Trust is the expectation that arises within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community. Those norms can be about deep “value” questions like the nature of God or justice, but they also encompass secular norms like professional standards and codes of behaviour. (FUKUYAMA, 1995, P26)

- Putnam explicitly referred to another feature of social capital, that is to social norms. Social norms provide a form of informal social control that obviate the necessity for more formal, institutionalised legal sanctions. Social norms are generally unwritten but commonly understood formula for both determining what patterns of behaviour are expected in a given social context, and for defining what forms of behaviour are valued or socially approved. Injunctive social norms in particular can have a powerful effect in increasing prosocial behaviour, and preventing antisocial behaviour. Where there is a low level of trust and few social norms, people will cooperate in joint action only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated and enforced, sometimes by coercive means, leading to expensive legal transaction costs.

- In my own research I have found one further central characteristic of social capital, one that has been implicit before. That is a sense of personal and collective efficacy, or social agency. The development of social capital requires the active and willing engagement of individuals within a participative organisation or community. This is quite different from the receipt of services, or even of human rights to the receipt of services, though these are unquestionably important. It is also different from the obedience of the subordinate. Social capital refers to people as creators, not as victims.

**Why Call it Capital??**

Last year I was invited to attend a leading edge conference on social capital organised by the World Bank in Washington. The conference asked that question too. I am not an economist, but a number of leading economists in that session struggled with the nature and importance of social capital as an economic concept. For example, Paldam and Svendsen (1999) noted that, to qualify as capital, social capital must be able to be accumulated and invested, but also that it may be destroyed. The World Bank has recognised that existing economic modelling equations are not able to predict economic development in Third World countries. Apparently some 70% of World Bank supply side interventions have failed. The question therefore is “Is Social Capital the missing link?” this is the question explicitly addressed by the Manager of the Social Capital Initiatives at the World Bank, Christiaan Grootoert. That unit of the World Bank was able to provide an impressive array of evidence from around the world, showing that while all forms of capital are useful and necessary to economic development, none is more so than social capital. More sobering is the realisation that many of the actions of governments, multinationals and aid agencies alike, have actually destroyed existing stocks of social capital in the effort to establish short term economic gains, thus eroding the potential for significant and lasting economic and social development. There is a dawning realisation that the development of social capital is a crucial prerequisite for economic development, even more important than investment in basic material infrastructure. Once there, social capital provides a kind of multiplier effect on financial investment.
Some Australian Evidence
With my colleague, Paul Bullen of Management Alternatives, I conducted an empirical study that confirmed and extended the conceptual structure of social capital. This study used a questionnaire survey of over 1200 adults in 5 communities in NSW. The data from that study suggests several conclusions. First, there is a General Factor, one that can be said to reflect a generic social capital. Each of 36 items contributes to the total scale, thus forming a reliable and valid instrument for the measurement of social capital.

Second, there are also several, quite distinct elements, or statistical factors that together appear to define social capital. The first three factors in particular are very strong, and explain about 30% of the variance. Factor A refers to participation within local community organisations and events. Factor B refers to social agency, while Factor C refers to feelings of trust and safety. Each of these is quite distinct, although there is a moderate relationship between them. Three of the other factors are concerned with participation and connection within a variety of contexts, within the neighbourhood (Factor D), among family and friends (Factor E) and within the workplace (Factor H). The fact that these factors are distinguished from Factor A suggests that people may find their social networks in a variety of contexts, and not necessarily in others, that is that different people are connected in different ways. We should pay more attention to the role of social capital within the workplace. There is every indication that social capital relates to organisational citizenship which itself is believed to impact directly on organisational performance (eg Schnake, 1991).

Of particular interest are those items that do not contribute either to the general factor or to any of the specific factors. None of the items relating to government institutions related to any factor (eg “generally do you believe that Australians are well served by their government institutions?”). The pattern of correlations suggests that social capital is about more immediate and personal connections between people and events, rather than the more distant and formal relationship with government institutions and policy. This is not to say that government policy is unimportant, but rather that it is not experienced in any immediate way or connected with people’s daily lives.

Other items that failed to relate, were those dealing with the semi-legal contract implied in direct and immediate reciprocity. A generic reciprocity is important and is implied in such items as “by helping others you help yourself in the long run”. On the other hand the tit for tat items like “if you help a neighbour is it important that they repay the favour as soon as possible” bore no relation to any social capital specific or general factor.

The relationship between the four capitals
Perhaps enough has been said to illustrate the interconnectedness of all forms of capital. The one we know most about, and certainly talk most about, is financial capital, and to a lesser extent, physical capital. We also recognise, though we talk less about it, the importance of cultural or human capital. By this we mean the sum total available skills, competencies and knowledge that humans involved in the enterprise bring to it. They include formal qualifications but also those intangible cultural knowledges that may well make the difference to a successful enterprise.

We are just beginning to appreciate the importance of natural capital, in terms of ecological sustainability. For too long we have taken for granted the availability of resource materials: the forests, minerals, fish, and soil, upon which our wealth ultimately depends, as well as the ‘commons’, those things that no-one owns, but upon which we all depend, things such as clean air and water. Until very recently, we took these resources for granted, nature to be colonised, owned, exploited. Some aspects of natural capital have entered the national accounts, but some have not. We have almost certainly undervalued, and continue to undervalue their worth. The evidence is mounting that we cannot continue to deplete without replenishment. We need to find ways of creating wealth in more complex ways, seeing wealth in terms of total quality of life. Wealth that destroys the basis of life is no wealth at all.

But, development, the creation of new wealth, does not need to depend on the destruction of our natural capital. We are beginning to realise, with the world Bank, that a judicious investment of all forms of capital can create the kind of value added advantages that satisfy the financial bottom line, while also enhancing our natural and social environment. It appears, for example that over-use of the “commons” (the free-rider effect) can only be prevented where social capital is strong. What we need to understand much better than we do now, is how social capital factors into the economic equation, how to enhance its presence (how to grow it), and how to ‘capitalise’ on this resource.

In short, social capital should be as much a part of the organisation’s business as any of the other forms of capital. Good social capital is good business.

References:
In P&O we are vitally interested in water. Our ships sail in it, our resort islands luxuriate in it, our ports rely on it. We have a history of two centuries working with water and yet it is fair to say that probably only in recent times that we have begun to understand the potential impact that our activities could do to harm the health of water.

With this understanding comes a wider awareness of a global problem that, unless remedied, will have severe effect on each and everyone of us. Community awareness of pollution of the world’s oceans has been heightened over the past years with a number of major shipping disasters such as “Exon Valdez”, “Erika” and others that caused severe oil damage. Locally we had the “Iron Baron” grounding in Tasmania. These not only harmed the environment but also severely damaged the reputation of the shipping industry who were seen as the villains polluting the oceans that everyone uses. But it is not just the shipping industry that pollute our oceans, in fact they are only a small component. Most recently we have an example of river pollution in Romania with the release of cyanide into the river system. In all these examples and many others there has been immediate outcry and extreme public humiliation to the companies concerned causing major losses in reputation and profit. In the case of the Romanian incident, bankruptcy to the company. So pollution is not only damaging to the environment but potentially lethal to the health of the organisation.

Most major organisations now recognise this and have policies, risk management systems and operational procedures to ensure that their activities minimise the impact on the environment but is this enough? Should this support go beyond the shores of the organisational boundary. Let me explain.

In Australia we rely to a large extent on our marine environment to sustain our country’s economic growth through tourism, shipping and commercial fishing industries in addition to recreational activities. Our management of the marine environment is in need of rapid overhaul if we are to embrace the concept of sustainable development. We only need to reflect on personal experience around our coast to see the changes - more visual pollution, beaches shut down because of contamination from sewage discharge, fish number decreasing, introduction of exotic species such as the starfish, coral reef degradation and on it goes. We are only seeing the tip of the ‘ice-berg’ as we do not fully understand the impacts on the underwater ecosystems. Our performance to date is not adequately addressing the problems that cause this pollution. What will happen if we do not change?

While growing community concern of the marine environment is largely based on increased awareness through the media, there is a misconception that the shipping industry is the source of most marine pollution. Media attention focuses on the ‘big news’ stories such as shipping accidents. There is hardly a mention of urban storm water run-off which is a much bigger problem. With public voting power politicians merely react to public concerns that can be addressed within their term of office. There is further difficulty with the jurisdictional powers of the Commonwealth versus the States which inhibits a process of overall ownership and a holistic approach. What is needed is the courage of politicians, in conjunction with all stakeholders to develop and implement long term solutions. The only way we will accomplish this is with full awareness of the problem and to provide a way forward to improvement.

This is where business and government can lead by example. I would like to think this is what we do at P&O but we are not there yet. But we are trying. It is my belief that everyone has a responsibility for safety and environment matters. This must start with the Chairman and the Board of Directors but has to stretch down to the most junior. Everyone must be aware of that responsibility and communicate it positively to others. It must come into their own individual lifestyle to the point where it becomes the quality of choice and not the quality of acceptance of mediocrity.

At P&O we begin the drive for awareness the moment anyone joins our company with a full induction. Naturally this induction is a wide embracing view of the full operations of the business but strong emphasis is placed on safety and environmental issues and to place their importance.
alongside that of profit and deliver a culture stamp from the outset of joining. This then sets the pace for the future. We provide reports and magazines for staff and the general public. Again this has helped to build the awareness and brings the issues of health and environment into the homes and families of staff. We have a strong discipline when incidents do occur and they are investigated fully and outcomes shared in order to prevent re-occurrence. There is no doubt that through this effort, our staff and we are improving the way we operate and it is making a difference. I believe this has helped grow the reputation of P&O as being seen to be a company of excellence to the point where we are now developing joint systems with customers and suppliers so the good work is spreading!

This must go further. Working with your own business is reasonably easy once you have embarked down the path and gained a foothold. We need to convert this approach to the nation. We should begin with our children with government and industry joining together to develop an educational program that delivers awareness of the issues from a very early age as well as putting forward some short term responses and long term gains, ie, if a child tells a parent not to buy a certain item, most likely they will be listened to, if only for peace and quiet!! If this happens on a regular basis the company will soon get the message and change. These children grow into voters thus delivering the needed ‘courage’ to politicians to promote government change.

The current management philosophy for our oceans is divided amongst numerous interest groups that individually have good intentions to promote awareness, decide policies and introduce programs to address the varying pollution sources of our oceans. What is lacking is the overlaying framework that allows a holistic approach and addresses the main contributory factors to our problems. This would come through a combination of Government, business and educators raising the issue and with learning will come solutions.

We should start these programs in Australia as we need to show leadership by example. Too often we talk high but do not practice what we preach!

Our national anthem, which clearly explains our pride and commitment to our oceans should be motivation enough to act.

“Our home is girt by sea; Our land abounds in nature’s gifts of beauty rich and rare; In history’s page, let every stage Advance Australia Fair”.

The problem is identified. A path forward proposed. Australians must take a lead in showing the world sustainability must be worked at if we are to have water that really is fit, healthy and enjoyable to us all.

**RELATIONAL MANAGEMENT: THE ‘NEW’ APPROACH TO MANAGING PEOPLE**

Andy Hede suggests there is an emerging trend towards ‘relational management’ whereby modern organisational leader/managers are re-discovering that the key to managing people is establishing and sustaining effective relationships at work.

**Business these days is placing greater emphasis on relationships. Suppliers, sub-contractors, joint venturers and of course, customers, are seen not in terms of one-off transactions but rather in terms of ongoing associations and informal partnerships.**

‘Relationship marketing’ is being promoted as the best way for a business to relate to its customers – based on understanding their needs and developing in them loyalty and trust. Similarly, ‘relational contracting’ is used with suppliers and sub-contractors to develop sustainable partnerships to mutual advantage based on mutual obligation and trust.

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Relationships are also the core of life inside organisations as researchers are now confirming. While most leadership research over the past 60 years has focused on leaders (their traits, behaviours and styles), there is a growing body of work investigating the relationships between leaders and followers (Graen & Uhl-Bien, 1995). The relationship between a leader/manager and a follower/subordinate is seen as developing through three distinct stages: first, they are strangers interacting very much according to their formal roles; next, they become work associates who have an understanding of each other's capacities and behaviours; finally, they become work partners with varying degrees of mutual respect, trust and obligation.

Research has consistently shown that when you develop partner relationships with your follower/subordinates they become more satisfied and more productive in their job. Some leader-follower relationships never get beyond the stranger stage which is a clear failure in people management on the leader/manager's part. Another major body of research has focused on the distinction between transactional and transformational leadership (Bass, 1999). Transactional leadership is based primarily on exchange (rewards for performance) whereas transformational leadership uses individualised consideration and inspiration to motivate followers to achieve above normal expectations. But transformational leadership cannot be achieved unless the leader/manager develops their relationships with follower/subordinates beyond that of associates to full leadership partners.

Work relationships develop via a series of interactions at the cognitive, behavioural and emotional levels. It is the history of these interactions and the individuals' recollections of this history that determines how the relationship develops and the stage it eventually reaches. Most leader/managers are very accomplished at the cognitive, behavioural and emotional levels, but tend to ignore the emotional dimension of interpersonal relations at work. It is only by managing the emotional dimension that a leader/manager can develop mutual acceptance, respect, trust and obligation and thereby move beyond the stranger and associate stages of relationship to have their followers fully functioning as work partners, more like peers than subordinates. To manage the emotional dimension of people management a relational leader/manager needs to exercise emotional intelligence.

Emotional Intelligence

The term ‘emotional intelligence’ is gaining currency in modern management practice and is being hailed as a source of corporate competitive advantage. It was popularised by Daniel Goleman (1995) to describe the capacity to develop a set of competencies that enable people to effectively manage themselves and to handle social relationships. Goleman argues that cognitive abilities (or IQ) contribute only about 20% to one's success in life, the remainder being due to social-emotional abilities (or EQ). A recent study in the UK confirmed that emotional intelligence is more predictive of managerial achievement level than intellectual intelligence (Dulewicz & Higgs, 2000). It is interesting that managerial selection in most organisations is based almost exclusively on assessment of technical knowledge, prior achievement and cognitive abilities.

More recently, Goleman (1998: 26-27) has provided a framework for analysing emotional competencies in terms of five categories: 1) self-awareness (‘knowing one’s internal states, preferences, resources and intuitions’); 2) self-regulation (‘managing one’s internal states, impulses and resources’); 3) motivation (‘emotional tendencies that guide or facilitate reaching goals’); 4) empathy (‘awareness of others’ feelings, needs and concerns’); 5) social skills (‘adeptness at inducing desirable responses in others’). In essence, emotional intelligence is the ability to manage one's own feelings and also to manage others' feelings so as to establish and maintain effective relationships at work. Thus, the relational approach to managing people is all about exercising emotional intelligence.

Trust

We have noted that relationships at work are founded on mutual acceptance, respect, trust and obligation but of these the cornerstone is trust. Trust is best understood as a willingness to put oneself at risk with another. As workers become more trusted they feel more valued and become more motivated and hence, more productive. Trust develops as a leader/manager takes risks in giving their follower/subordinates access to increasingly sensitive information and in delegating increasingly critical tasks. This is an iterative process and depends on how well the follower/subordinate performs and on how the leader/manager reacts to any task failure or any misuse of information. An effective relational leader/manager is willing to take risks in trusting their follower/subordinates and doesn’t over-react to task failures and misuses of information. However, trust has to be earned and breaches have consequences. Trust is, of course, a two-way phenomenon and leader/managers must also earn the trust of their follower/subordinates if there is to be a fully effective relationship. Acting in the interests of follower/subordinates and keeping promises to them are critical to earning their trust. It’s all part of the people management process.

The relational leader/manager seeks to establish and maintain effective relationships not only with their follower/subordinates, but also with other key players in the organisation. These include: the Board Chair (if they are CEO); their supervisor (if they are not CEO); their strategically important peers; and the main ‘gatekeepers’ influencing their effectiveness in the organisation (e.g., their supervisor’s secretary, the PR officer, the IT system administrator, etc). It is these people who matter most for a leader/manager’s effectiveness and it is the relationships with them that need to be managed with emotional competence.
Managing Difference

It is important to distinguish between work relationships and friendships. The relational leader/manager will strive to establish and maintain partner relationships with most if not all of their follower/subordinates. But it is not necessary that they become friends. Liking and commonality of personal interests and values which are essential for the development of friendships, are not needed in partner relationships at work. There are many who find this difficult and for whom the only people who move beyond the stranger and associate stages of relationship are those they become friends with. This is one of the bases for homo-social cloning whereby some leader/managers select and develop friendship relationships with people who are like themselves and discriminate against minority group members and others who are perceived to be different. One of the key emotional competencies needed for developing fully effective teams is what Goleman calls ‘leveraging diversity’, a component of empathy enabling one to accept and feel comfortable with difference.

Threats to Relationship

As well as working with the building blocks of relationships especially trust, the relational leader/manager uses emotional competencies to manage potential threats to relationship such as disagreement, opposition, frustration, stress, projection and resentment. Frequently in organisations we have to deal with people at various levels who disagree with us, oppose our plans, block our initiatives, snap under pressure, project negative characteristics onto us and feel disaffected by our decisions. The emotionally unskilled person becomes ‘reactive’ in such situations and usually defends themselves by attacking the person responsible. By harnessing the personal emotional competencies of self-awareness and self-control together with the social competencies relating to conflict management and difference management, the effective relational leader/manager ensures that the situation is resolved without harming the relationship.

Social Capital and Social Baggage

Another aspect of relational management involves social capital. Derived from community studies, the term ‘social capital’ has been recently adopted by management theory to refer to the sets of relationships at all levels throughout an organisation. Social capital comprises the networks of alliances based on mutuality among individuals and groups. Relational leader/managers appreciate the importance of social capital and facilitate the processes needed to realise its value on the bottomline. They do this particularly by fostering relationships which give employees a strong sense of belonging and of allegiance which motivate them to support each other in working towards organisational goals.

At the same time, the relational leader/manager can identify what we might call ‘social baggage’, the negative side of social capital. Social baggage refers to the subversive networks that arise within all organisations over time. These networks are based on relationships among the disgruntled, the incompetent and the lazy which serve to undermine organisational values and to white-ant managerial initiatives. Unless social baggage is recognised and counteracted by the relational leader/manager, organisational performance will be seriously eroded. Clearly, there are many challenges in people management.

What’s New?

Many would claim that nothing is ever really ‘new’ in management. It’s just that old ideas are re-discovered and re-packaged. The art of management has always been essentially that of achieving results through other people but there are many different approaches which come and go. In the nineties, the dominant approach was ‘managerialism’ which was characterised by an emphasis on results and short-term outputs. Perhaps ‘relational management’ will become the ‘new’ approach - it certainly has potential for being a more effective way to manage people via work relationships which deliver long-term benefits to organisations.

References


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Professor ANDY HED
SUSTAINABILITY REPORTING: WAY TO GO

In today’s uncertain and volatile corporate world, one thing seems clear – corporate values are in transition as part of the global shift in human and societal values.

The new world order, driven by global markets and information technology, is corporate governance aka accountability. Evidence of this new world order can be seen in emerging corporate governance regimes, each with their own global code of corporate governance – the OECD, for example, issued a set of corporate governance principles in 1999. That is not to say that the new codes are necessarily high quality – there is still progress to be made on that front but corporate accountability is now a critical issue.

What do these developments mean for accountants and other professionals? In the narrow sense, corporate governance is about such things as audit committees, the composition of boards and evaluation of their performance, remuneration, and risk assessment. It is also about transparency and disclosure in corporate reporting, an area of concern to accountants. Recently I participated in an accounting conference in Singapore where the theme, Disclosure, Governance and Transparency – Challenges for Financial Market Disclosure in Asia, invoked considerable debate among academics and practitioners. It was agreed that there is a need to restore confidence in corporate reporting as a necessary underpinning for global capital markets, and that the accounting profession worldwide needs to respond quickly.

Some would say that transparency and disclosure do not sit easily with a profession traditionally focused on financials and accused, not always without foundation, of creative accounting. But there is evidence that accountants are concerned greatly with corporate financial reporting standards and that they are thinking globally. Witness, for example, the emergence of international accounting standards (IASs) by the International Accounting Standards Committee (IASC), whose remit is to achieve uniformity in the principles that are used by businesses and other organisations for financial reporting around the world. Since June 2000, IASs have been recognised globally by the International Organisation of Securities Commissions (IOSCO) and, from 2003, all listed companies in the European Union will be required to apply IASs in preparing their annual reports. Also witness recent moves by the International Federation of Accountants (IFAC) to improve auditing standards and enhance the education and training of accountants; this will be helped by the establishment later this year of a new IFAC Board comprising full-time, independent and highly-skilled members.

Aside from developments in financial reporting standards, one of the most important initiatives in corporate reporting in recent times has been in line with a corporate business strategy called sustainability, of which most if not all readers will be well aware. Although the term does not yet enjoy a universally accepted meaning, sustainability – which represents a paradigm shift in management – has been described as meeting the needs of the present generation while not impairing the ability of future generations to meet their own needs. Also termed triple bottom line reporting, sustainability reporting goes beyond the traditional accounting approach of financial measurement to show linkages between an organisation’s economic, social and environmental dimensions of its activities, products and services. While the economic dimension includes financial information it is not limited to that.

The wellspring of this development is the Global Reporting Initiative (GRI), convened in late 1997 by the Coalition for Environmentally Responsible Economies (CERE) in partnership with the United Nations Environment Programme (UNEP). The GRI’s core mission is to establish, through a multi-stakeholder process, the foundation for standardised (or uniform) corporate sustainability reporting globally. Stakeholders include corporations, universities, professional accounting associations and business consultants from around the world.

The GRI’s Sustainability Reporting Guidelines on Economic, Environmental and Social Performance were released in June 2000. The Guidelines, available on the Web at http://www.globalreporting.org, represent a quantum leap in corporate reporting requirements albeit at a voluntary level. The Guidelines, when released in exposure draft form in London in 1999, attracted comments from 21 pilot test companies (including The Body Shop International, British Airways, Electrolux and Shell), scores of other companies, and a diverse array of non-corporate stakeholders. Although an increasing number of corporates has produced environmental reports in recent years – either as stand-alone documents or as part of annual reports – the quality of this information has been variable. GRI’s aim is to elevate globalised sustainability reporting to the level of financial reporting by delivering a steady flow of consistent, comparable, and verifiable information to investors on business impacts.
The GRI Guidelines incorporate:
• articulation of reporting principles adopted from financial reporting;
• forward-looking indicators, including strategy, management indicators, trend information, and targets for future years;
• incremental application of the Guidelines.

More specifically, the Guidelines recommend that a sustainability report includes: the profile of the reporting organisation and the scope of the report; vision and strategy; executive summary and key indicators; a range of environmental, economic, social and integrated performance indicators; policies, organisation and management systems. Following are some examples of the specific indicators recommended in the guidelines for use by report preparers:

**Economic**
- investments in human capital;
- nature and location of outsourced operations;
- labour productivity levels.

**Environmental**
- total energy use;
- use of re-cycled materials;
- water sources significantly affected by the organisation’s use of water.

**Social**
- employee retention rates;
- job satisfaction levels;
- investment per worker in illness and injury prevention.

Further work is needed to refine the indicators, especially those measuring the economic and social dimensions of business performance. Having been subjected to a pilot testing process, environmental indicators have the greatest degree of consensus among stakeholders.

At this stage the Guidelines are targeted to business organisations; however, with some flexibility they can be applied to government agencies and not-for-profit organisations. They are not intended to override existing mandatory reporting requirements, and organisations will need to decide how often to report and by what means. The challenge for first-time reporters will be great, and the cost may not be inconsiderable. The Guidelines are limited, ostensibly to encourage experimentation by reporters.

Thus far the GRI venture has brought together disparate reporting initiatives. As to its future, GRI stakeholders believed-correctly, with hindsight—that the international movement that coalesced around the objective of achieving global standardised reporting was powerful enough to produce the Guidelines, but will those same Guidelines take hold of organisations in the way that financial reporting standards have done, and without being mandated? Will the GRI follow a similar path in this century to the evolution of financial accounting and reporting standards in the last? Or will such prescription impact adversely on global competitiveness and entrepreneurial activity? A note of optimism about the future of sustainability reporting can be seen in a UN Foundation grant of $3 million which will allow the GRI to pursue from 2000 to 2002:
• the creation of a permanent, independent host institution for the GRI;
• the continued periodic revision of the Sustainability Reporting Guidelines;
• extending the reach of the GRI to all regions of the world.

Although sustainability reporting is still in its infancy, these developments must be of interest to accountants as well as to other professionals, given the different types of subject matter that sustainability reports will contain. Membership of the GRI steering committee reflects the interest of the accounting profession as it includes the UK Association of Certified Chartered Accountants (ACCA) and the Canadian Institute of Chartered Accountants (CICA). Years from now it is likely that corporate sustainability reports will sit side by side with corporate financial reports, and even more likely that accountants will have had a hand in preparing both. Some of the principles underpinning sustainability reporting are already familiar to accountants-reporting entity, reporting period, going concern, conservatism and materiality, as well as the qualitative characteristics of GRI information, such as relevance, reliability, comparability and timeliness.

Although the GRI has intimated that it has no plans to develop guidelines or standards for verifying sustainability reports, such developments – if not from that source-seem inevitable. Indeed, this is anticipated in the Guidelines where (at page 48) it is noted that such guidelines/standards are likely to incorporate concepts and methodologies from financial auditing as well as from other disciplines and models.

Business educators will need to factor these developments into their curricula. The portfolio of course offerings in my own school at RMIT University now incorporates Ethics in Accounting, Social and Environmental Reporting, International Accounting and Corporate Governance, none of which existed a few years ago.

Financial reporting standards are on the improve. Sustainability reporting, as a further mechanism of accountability is, I believe, the way to go for businesses and other organisations, including governments. Accountants, auditors and other relevant professionals will need to position themselves to assist in the preparation and verification of sustainability reports, and business educators will need to factor these developments into their academic programs. As the somewhat ambiguous title of this article suggests, there is a change of direction in the wind although the destination is some way off.

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Today, the value of marketing is often challenged. In organizations, there have been pointed queries about productivity of marketing expenditures, the appropriate position and influence of the marketing department, and the contributions of marketing activities to overall financial performance. At the societal level, there are serious doubts about the costs of marketing and the values that are espoused and continuing questions about the need for regulation and legislation to counter the perceived abuses (Day and Montgomery, 1999). At this juncture in the discipline's evolution, it is appropriate to ask: “What does marketing contribute to society?”

Social marketing

Social marketing is the planning and implementation of programs designed to bring about social change using concepts from commercial marketing. As a rapidly emerging discipline, social marketing is demonstrating considerable success in tapping the ideas and talents of commercial marketers to challenge major social problems through partnerships of mutual interest. Social marketers are enhancing the return on investment of businesses, community groups, and government agencies that engage in solving social problems. Examples of recent successes include dramatic reduction in early death from heart attack and stroke, increased use of condoms to prevent the spread of HIV, and sharp reductions in smoking among teens and pre-teens (www.social-marketing.org).

Allied to, (or a sub-set of), social marketing is an even more recent phenomenon known as Cause Related Marketing. In their recent book ‘Brand Spirit’, Pringle and Thompson (1999) define Cause Related Marketing as a strategic positioning and marketing tool which links a company or brand to a relevant social cause or issue, for mutual benefit. Already, organisations such as Andrex, American Express, Avon, BMW, the Body Shop, Kelloggs, Liz Claiborne, Marks & Spencer, McDonalds, Proctor & Gamble, Reebok and many others have embraced social and cause-related marketing in one way or another, yet scholarly treatment of the subject remains scarce and erratic. Fortunately, academe has recognised the urgent need for empirical research in this area, and it is especially encouraging to see that four major peer-reviewed journals have recently scheduled special issues on social marketing related themes. The Journal of Nonprofit & Public Sector Marketing will be publishing a special issue on Social & Cause Related Marketing in 2002 (Call for Papers - November 1999, guest edited by the author), the European Journal of Marketing will be publishing a special issue on Societal Marketing in 2002, the Journal of Public Policy & Marketing recently issued a Call for Papers for a special issue on Social Marketing Initiatives (April 1, 2001) and finally, the Journal of Business Research will be publishing a special issue on ‘Marketing’s Unintended Consequences’ sometime in 2002 (Call for Papers - 30 September 2000). Guest editors are Professors Fry and Polonsky at the University of Newcastle, (mgmj@cc.newcastle.edu.au).
Following is a brief research agenda for scholars and practitioners interested in advancing the frontiers of knowledge in this under-researched area:

- Social marketing measurement and evaluation. Can social performance be factored into net worth computation?
- Credibility, authenticity and integrity-related considerations. Is social marketing simply a cynical exploitation of public sympathies for the sake of profits?
- Strategic alliances and synergies (benefiting all 3 parties – firm, customers, cause).
- Corporate citizenship and stakeholder orientation.
- Social and sustainability audits and corporate reporting.
- Society’s changing expectations of corporate behaviour.
- Emerging consumer demand for ‘higher order’ image attributes.
- The use and effectiveness of celebrity supporters/endorsers in social marketing.
- ‘Bought’ brand loyalty vs ‘earned’ brand loyalty. Should companies be loyal to their customers?
- Anthropomorphic branding - the ethical and ‘spiritual’ dimensions of brand value.
- Piercing the communications clutter. Social marketing and marketing communications – revisiting the PR/Marketing interface.
- Tripartite partnerships: government, corporate and cause.
- Victorian paternalism to 20th century philanthropy.
- Third way1 politics (Clinton/Blair) – from ‘nanny states’ to ‘stakeholder societies’
- Models of frameworks for including stakeholders impacted by unintended consequences into organisational strategy development processes.
- Methods for identifying the unintended consequences of business activity.
- Methods for evaluating the interests of broader relational stakeholders as opposed to firm-based outcomes.
- Market factors that may encourage or inhibit the occurrence of unintended consequences.
- Beyond the ‘Battle in Seattle’ (anti-WTO protests). In an increasingly consumerist society, are we, as consumers, not partly responsible for the damage that we are causing?
- Initiatives to demarket unhealthy or dangerous products or services.

1 stimulated by books such as Will Hutton’s The State We’re In.

References

The ‘Joined-Up’ Triple Bottom Line and Corporate Citizenship

We have heard a lot in the last couple of years in Australia about the Triple Bottom Line, ethical investing, corporate social responsibility, corporate citizenship and related issues – so much, in fact, that the phrases are becoming familiar enough to blur into that comfortable fog of acceptance which fails to distinguish the real concepts and challenges behind the easy-to-use phrases, and which lures many into believing that they actually understand (and perhaps even put into practice) the concepts.

While this may be true for some in Australia, for the most part, they are the precious few. Now that the politicians and the media have started to use phrases like triple bottom line reporting and corporate citizenship – applied to almost anything – we are in danger of losing the powerful challenge that these concepts actually pose to business, government and community for the building of a truly sustainable society.

[continued overleaf]
In the latest report to come out of the Corporate Reputation and Social Policy Unit of BT (British Telecommunications plc) in the UK, written by Simon Zadek and Chris Tuppen, entitled *Adding Values, The Economics of Sustainable Business* (May 2000), they make the valuable comment that ‘Sustainable development is about thinking holistically and the economic dimension is the one that most closely links the environmental to the social within the context of a company’s business activities.’ (p.30), neatly linking triple bottom line thinking to an overall – holistic – approach to sustainable success. This emphasis on holistic approaches to sustainability, I believe, is at the very heart of corporate citizenship, and presents major challenges (and significant long term rewards) to business, government and community, well beyond the agendas of corporate generosity, philanthropy and community project based corporate investment, currently given prominence in Australia as corporate citizenship.

By positioning triple bottom line thinking and reporting at the heart of an understanding of corporate citizenship which is about long term sustainability, and not simply short term community investment (mostly through sponsorships and donations), the enormous significance of the changes needed to be made by everyone involved will emerge out of that comfortable fog, and the real challenges and excitements about changing the social face of business can then be recognised and tackled (see Birch & Glazebrook, 2000).

Anyone who has even remotely begun to think about economic, social and environmental reporting, even in isolation from each other, knows immediately the challenges that business faces. But to start to think about triple bottom line thinking holistically, exploring the inter-related relationships between the economic, social and environmental, those challenges loom even greater, and demand that we fully engage with them, and not to do as many are now doing in Australia, to seek comfort (and often accolades and awards from Government) by concentrating on the relatively easy-to-do bits. Those bits are valuable, often essential, in the community, and I do not for one moment suggest that they should not happen, or indeed should not increase – but, they are not corporate citizenship, and we lose the enormous potential of real corporate citizenship, for serious, sustainable and significant social change, if we so easily label these activities in that way.

This is why triple bottom line thinking is so important in the debate, because anyone who seriously thinks about the consequences of triple bottom line reporting for business (let alone attempts to actually do it) quickly comes to the realisation that this is not surface stuff – it is not fluff – it is demanding and challenging, often to the very core of traditional business (and government) thinking and practice. As the BT report makes clear, the term ‘triple bottom line’ has introduced many people in business to these issues and, as they say, ‘its success in doing so lies in its simplicity as a concept’ (p.30), but they caution, as I do here for Australian business, ‘that simplicity carries with it a temptation for people to think of three separate, but somehow inter-related bottom lines – each with equivalent standing’ (p.30). The challenge is to understand the concept, and its difficulties, as core to business activity in a way that enables business to engage and not run back into those comfort zones developed over many years. This is not going to be easy, but will be made much easier if we make it very clear from the outset what is involved, and have very sharp understandings about the differences between the many concepts and phrases being easily used in Australia today as if it was all the same thing – corporate citizenship.

There is an urgent imperative to better position companies to understand, and measure, their triple bottom line impact, both internally within the company and externally in the community. And we need a vocabulary to do that. We need a critical terminology. We need clear methodologies and indicators. We need a great deal of time, effort and resources put into developing clear directions and thinking in establishing, implementing and evaluating the triple bottom line, within a context that sees it at the heart of a corporate citizenship that goes well beyond philanthropy and corporate generosity. As The BT report makes clear, ‘...the time is coming when companies should cease compartmentalising the economic, the social and the environmental, in favour of new and innovative ways of reporting their ‘joined-up’ contributions to a more sustainable society.’ (p.30)

We have a long way to go in being able to do that, and it seems to me crucial that the first thing we need to do in getting there is to clear away the fog of misunderstanding that surrounds corporate citizenship in Australia right now. To do that I suggest we make a very clear distinction between corporate social responsibility (CSR), strategic corporate citizenship and holistic corporate citizenship.

**Corporate Social Responsibility** (CSR) is a term which has described business and society relations, in one form or another, for the past sixty years. It is widely used around the world, and generally describes the sorts of external relations that companies have with community organisations. These usually involve sponsorships, corporate gift-giving, philanthropy, cause-related marketing, matched-giving programmes, and a variety of project based activities involving cash or in-kind support from business.

It is generally CSR related activities that are reported in Annual Reports, and for the most part, are usually more about short term brand-recognition, image building and marketing for business than long term sustainability, for society or business. CSR is generally determined by a single financial corporate bottom line.

**Strategic Corporate Citizenship**, on the other hand, broadens the focus of CSR to include social dimensions of the business, generally involve a more inclusive partnership between business and a community organisation(s). Such partnerships require the parties to make reciprocal commitments in cooperation with each other to further mutual social benefits, both recognising
that together they are able to make a difference, not just to the short term solution of a social problem or business image or market position, but to a long term, sustainable, building of both social and reputational capital.

Like sponsorship, such partnerships need to establish a clear business agenda, but unlike sponsorships, both partners need to be strongly committed to long term change; both need to be prepared to invest, not just the business partner, and be committed to long term sustainability, and both need to be prepared to put their resources on the line.

Holistic Corporate Citizenship, is not so easy. It requires significant internal cultural change in an organization, with detailed attention paid to values, ethos, mission and long term corporate reputation, stakeholder inclusivity, employee engagement and so on. Where its core business, its internal organization and its external relations are sheeted back to a holistic understanding of the triple bottom line and its relationship to a charter of corporate citizenship (or something similar).

This involves sustainable capitalism (to use John Elkington’s term). It involves triple bottom line investment in the long term, not just triple bottom line reporting of the here and now. Holistic corporate citizenship is best viewed, therefore, not as a program of activities, but as a holistic system of organisational behaviour affecting every level and aspect of an organisation’s policies and practices (see Birch forthcoming 2000).

Courtney C. Brown in *Beyond the Bottom Line*, recognised as far back as 1979 (long before the triple bottom line phrase became fashionable) that systemic change is a very large order and to achieve it needs considerable authority from business leaders to drive the changes, but, he argued, they have little choice because ‘the public insistence on moving quality of life considerations to centre stage is proving hard to resist.’ (Brown, 1979:4) arguing that ‘the corporate quest’ only for ‘improved efficiency, competitive success, and maximised profits’ is no longer sufficient. Few would disagree with this today. The challenge we face is how to establish the language, thinking, methodologies and measurements to allow us to effectively do this, and the first thing we need to do, I would suggest, is to recognise that calling everything corporate citizenship is not the best way to start that process.

References


THE ‘TRIPLE BOTTOM LINE’

What is the triple bottom line?

In a series of newspaper advertisements published around Australia on 26th September 2000, the Finance Sector Union (FSU) made an appeal to Commonwealth Bank of Australia (CBA) shareholders for support in the union’s industrial relations dispute with the bank.

The FSU are urging the 800,000 CBA shareholders to use the forthcoming annual general meeting of CBA as an opportunity to voice their concerns over a range of management and staffing issues. This action illustrates a growing trend towards wider society appealing to directors’ broader social responsibilities in the management of Australian companies. Whether or not this particular union ploy has any success in raising shareholder awareness and thereby stimulating specific action, it is clear that more and more shareholders, along with other stakeholders, are now demanding greater accountability from company managers on issues other than simply financial returns to investors. For example, concerns about water pollution caused by mining activities, concerns about logging in ‘old growth’ forests, concerns about the effects of company policy on Indigenous lore and custom, and concerns about banks closing branches, thereby affecting the survival of small towns and municipalities, are all issues that have made their way into annual general meeting agendas in Australia in the last twelve months. On the
world stage, firms such as Nike, Mattel, Shell and Monsanto have each had to fend off virulent criticism from shareholders (and customers) that they have failed to meet expected ethical and environmental standards in their day-to-day practices. The days of corporate arrogance, one would think, are numbered.

It is this latter-day call to corporate accountability that underpins the notion of the ‘triple bottom line’ in modern business and corporate management. The triple bottom line concept is designed to highlight that a company’s consideration of only one measurement of success – the financial ‘bottom line’ – is inadequate in a number of respects. Triple bottom line thinking insists that there are at least two other aspects of doing business today that require equal consideration and active managerial attention - the social impacts (for example, health, welfare and safety), and the environmental impacts that a company’s activities may have.

Advocates of triple bottom line reporting are quick to remind sceptics that having three reporting considerations instead of one is also necessary for, indeed irretrievably linked to, the financial bottom line. In other words, financial success itself is reliant upon not only economic sustainability but also social and environmental sustainability. A company that can meet the needs of the present in terms of social and environmental impact, without compromising the needs of the future, is, so the thinking goes, more likely to appeal to investors and customers alike, and thus be financially successful. This is done by using it as a selling point in the marketplace, through appealing to customers concerned about the environment and the reduction of risk to workers, consumers and the public in general. Companies that incorporate this approach in their strategies can, it is claimed, generate substantial competitive advantages. Hence, triple bottom line thinking is not a short-lived marketing ploy but a competitive advantages. It is to be expected that the future financial performance is possible by ‘sustainable’ companies over their ‘non-sustainable’ competitors.

Measuring the triple bottom line

Are corporations who are practising triple bottom line management doing better than those who are not? How can sustainability be measured? Based on responses to questionnaires sent to thousands of companies worldwide, researchers have been trying to answer these questions. Moves have been made since December 1993 to list, measure and compare the performance of companies that meet ‘sustainability’ criteria. There has been careful tracking – audited by Price Waterhouse Coopers – of those companies that were identified by their responses as having met agreed performance indicators. In September 1999, the Dow Jones Sustainability Group Index (DJSI) was published for the first time, introducing to analysts and investors the notion of sustainability as a performance indicator. Sustainable is defined according to a range of criteria designed to measure a firm’s performance in economic, environmental and social terms. The final ratings are based upon the ability of a company to encourage stakeholder relationships, respect human rights, ensure appropriate employment conditions, and foster an environment of anti-corruption, amongst other things. The organisation responsible for analysing the data for the DJSI is SAM Sustainability Group, a Zurich-based asset management company founded in 1995. The index is currently composed of 229 firms (market value US$4.3 trillion) across 22 countries. These firms (including Fujitsu, Unilever, Skandia and Honeywell) are, according to the Index, the top 10% of companies (in each of 68 world-wide industries) operating from sustainability-related management practices.

According to the material provided by SAM Sustainability Group, the DJSI illustrates that better financial performance is possible by ‘sustainable’ companies over their ‘non-sustainable’ competitors. For example, between the beginning of 1994 to the end of 1998, the DJSI posted a return (in US$) of 125.80%, while the Dow Jones Global Index managed only 80.88%. The ‘sustainable’ companies, on average, produced higher shareholder returns over five years than other comparable firms in their corners of the world. On the whole, they also performed better than the rest of their particular industry in seven out of nine industry sectors. The risk – the price fluctuation or volatility – was only very slightly higher in the case of the sustainability-driven investments.

The accounting profession has responded by developing frameworks and guidelines for sustainability reporting and assessment. It is to be expected that the future financial reporting on a company’s health will not be complete until its sustainability value has been determined. There is also a new legal requirement that corporations include details of environmental performance in their annual reports. Section 299(1)(f) of the Corporations Law (amended by the Company Law Review Act 1998) states:

“...if the entity’s operations are subject to any particular and significant environmental regulation, under the law of the Commonwealth or of a State or Territory details of the entities performance in relation to environmental regulation”.

Interpretation of the section is hampered by the parliamentary draftsman’s thinking that a verb was not necessary in the above sentence, and by the fact that
the words ‘particular’ and ‘significant’ are not defined. Notwithstanding these handicaps, a recent University of Technology Sydney (UTS) report\(^7\) indicates that 67% of companies required to report did so, with 45% reporting more than a minimum response. 35% gave details of positive initiatives while 25% gave additional information of non-compliance. This confirms, according to the UTS report authors, that most companies (for example, large and important Australian players in construction and resources sectors such as Smorgon Steel, Rio Tinto, WMC and CSR Limited) “believe that their stakeholders are interested in environmental performance information. Other companies such as BRL Hardy displayed a recognition that to provide this information together with products targeted at the environmental market is also good for the economic bottom line. This should act as an example to such environmental market is also good for the economic bottom line. This should act as an example to such industry sectors as industrials, finance, investment and pharmaceutical that they can also improve their stakeholder relations by improving their environmental performance information”\(^8\).

It should be noted that the above discussion is based upon preliminary assessments only, and has been informed mainly by those in whose interests it is to paint an optimistic picture. It is possible, of course, that any company, ‘sustainable’ or not, that uses good management practices will be able to avoid polluting the environment, to motivate staff, to promote health and welfare, and to prevent accidents. Be that as it may, the idea of triple bottom line is one that demands attention. It is rapidly gaining recognition at the most important of levels. Note the Howard government support for the notion as well. In an address to the John Stuart Mill Society in Adelaide on June 13, 2000, the Federal Minister for the Environment and Heritage, Senator Robert Hill, had the following to say on the subject:

“If we are to move our economy to a truly sustainable basis, we must bring about a change in culture within both Australian industry and the broader community. As liberals, we must develop a culture where the environmental value and social value added by an action is as significant in assessing its worth to the nation as the economic value it brings. This is the concept we know as the triple-bottom line. It’s the traditional bottom line economic profit of a company, with the added dimensions of social and environmental accountability. If anyone in politics should be interested in triple-bottom line accounting, it’s liberals. Liberalism is all about freedom of choice – freedom to take a course of action to achieve one’s social goals. We are, in essence, limiting or decreasing the freedom of choice of future generations if today’s economic freedom comes at the expense of degrading the natural environment. We are also not providing freedom of choice if the broader community does not share in the fruits of economic expansion funded by reducing government interventions in the market”.\(^9\)

The notion of triple bottom line can appeal, it seems, to multiple constituencies. It is fair to say, however, that we, as a society, are still some way from elevating environmental and social reporting to the status of financial reporting.

The triple bottom line in regulatory theory

In many respects, the triple bottom line notion neatly complements the theme of corporate governance by ‘regulatory tripartism’ which Ian Ayres and John Braithwaite introduced in 1992. These theorists noted the constructive role in the accountability process of the range of groups and forces outside of the usual legal regulatory systems, including business interest groups, stakeholder angst, adverse publicity and consumer boycotts. One might suspect that there could be enormous value for governments in providing regulatory ‘carrots’, for example, granting tax concessions or preferences in contract tendering, to those businesses and corporations who are able to show that they are measuring and reporting to the triple bottom line. There may be other advantages, too, in triple bottom line reporting, such as reducing the potential for corporate criminality. As corporate law doyen Roman Tomasic explains, “… the strategy which is directed at changing the culture within the corporation, and the wider ethical context of the business community is more likely to bear fruit in achieving optimal corporate crime control …”.\(^10\)

Conclusion

Considering the range of direct and potential spin-offs for corporate governance and accountability, not to forget a cleaner environment and safer products and work practices, triple bottom line reporting strategies should be considered as a matter of priority by governments, corporate conglomerations and regulatory bodies alike. These strategies will only work, however, where they are designed to encourage rather than constrain business performance\(^11\). On that score, too, the evidence is becoming clearer that it is more likely than not that, in a triple bottom line business environment, that business performance can be improved.

As Robert Hill reminds us, “what we require ... is a radical change of culture and thought processes both within the marketplace and within the broader community”.\(^12\) The simple message is that we have a duty to future generations to re-think the way we do business and use new criteria to judge its success. Respecting and valuing our natural and social capital will not only guarantee that they are available for our children’s children, but should, if we are clever enough, provide better short and long-term economic outcomes as well.

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1. The Australian, 26/9/00 page 39, story by Tim Boreham.
The modern corporation would not be manageable, or even feasible without an accurate system of debits and credits that give a coherent picture of the many different streams of goods and money that flow through the enterprise, combined with a system of controls to ensure they flow in the right direction. The first accounting text book, written by a Venetian monk in 1494 was Summa De Arithmetica, Geometrica, Proportioni et Proporcionali, introduced the world to double-entry book keeping, and provided a key foundation for industrial capitalism. This framework of measurement has survived for 500 years, with the addition of several thousand accounting rules over time. However there are growing doubts whether existing financial reporting systems can meet the changing information needs of business and society. The President of the Institute of Chartered Accountants in England and Wales, Chris Swinson, has posed these dilemmas in a riveting series of questions: “What is a company worth? Accountants all know that a balance sheet is not a guide to value. What are a company’s prospects? All accountants know that a historical profit and loss account is not necessarily a guide to sustainable earnings. What risks does a company face? Accountants all know that accounts do not deal explicitly with risks. What are a company’s intangible assets (let alone what are they worth?) Accountants know that accounts do not speculate on such matters.” (1999)

In the new economy as witnessed in the United States, the stock market valuation of companies is becoming more distant from reported profits in annual accounts. The stock market is increasingly taking account of other sources of information and other bases of valuation than offered by the traditional framework of historical cost financial reporting. The market requires more information about a business’s future trading prospects, the value of a business’s intangible assets, and standards of accountability. As Table 1 reveals this is causing a significant change to new systems of corporate reporting that address stakeholder concerns, not simply a shareholder focus, that can provide customised information on the web not just standardized information on paper, that offers a continuous reporting dialogue along a broader range of performance measures, with a greater emphasis on future prospects and assurance of the system of value generation.

The reason performance measures are changing is that the assets and risks not measured in traditional accounting are becoming more important as determinants of businesses future success. In the knowledge economy human capital and intellectual capital are becoming the most critical intangible assets of companies. In a world of diminishing, and often threatened environmental resources the environmental impact of companies is becoming critical to their future existence. This explains the sudden emergence of triple bottom line reporting among major corporates in different parts of the world. John Elkington, the author of Cannibals with Forks: the Triple Bottom Line of 21st Century Business, (1997) defines the concept of the triple bottom line as, “Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality, and social equity.

Companies aiming for sustainability need to perform not against a single, financial bottom line but against the triple bottom line.” That is instead of performing to a single financial bottom line businesses will need to perform not only to an economic bottom line, but perform to a social bottom line and an environmental bottom line also. Many large companies in response to a range of legal, social and

Table 1: The Transformation of Corporate Reporting

<table>
<thead>
<tr>
<th>THE OLD REPORTING SYSTEM</th>
<th>THE NEW REPORTING SYSTEM</th>
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<tbody>
<tr>
<td>Shareholder focus</td>
<td>Stakeholder focus</td>
</tr>
<tr>
<td>Paper Based</td>
<td>Web based</td>
</tr>
<tr>
<td>Standardised information</td>
<td>Customised information</td>
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<tr>
<td>Company controlled info</td>
<td>Information available</td>
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<tr>
<td></td>
<td>from a variety of sources</td>
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<tr>
<td>Periodic reporting</td>
<td>Continuous reporting</td>
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<tr>
<td>Distribution of</td>
<td>Broader range of</td>
</tr>
<tr>
<td>Financial statements</td>
<td>performance measures</td>
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<tr>
<td>Past performance</td>
<td>Greater emphasis on</td>
</tr>
<tr>
<td>Historical cost</td>
<td>future prospects</td>
</tr>
<tr>
<td>Audit of accounts</td>
<td>Substantial value based</td>
</tr>
<tr>
<td>Nationally oriented</td>
<td>proposition</td>
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<tr>
<td>Essentially static</td>
<td>Assurance of underlying</td>
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<tr>
<td></td>
<td>system</td>
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<tr>
<td>Preparer-led regulations</td>
<td>Continuously changing</td>
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<tr>
<td></td>
<td>model</td>
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<td></td>
<td>Satisfying market demands</td>
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environmental pressures have moved silently towards both measuring and reporting their performance in social and environmental terms. Table 2 indicates the wide range of issues companies today will offer detailed accounts of in their annual reports. This includes qualitative and quantitative information in social reporting on matters such as health and safety, employee training, racial and sexual equality, customer satisfaction and consumer protection. In environmental reporting companies release increasing information on matters such as energy saving, environmental protection and remediation.

More ambitious initiatives in social and environmental reporting are occurring in Europe and North America, involving major corporations such as Shell, BP, ABB, Daimler-Benz, Bertelsmann, BT and Nortel. Though there is a profusion of different terms and approaches some common elements are discernible:

- An increased willingness to engage in a meaningful dialogue with a wider group of stakeholders interested in different aspects of the companies performance
- A drive towards the comprehensive measuring of intangibles in recognition of their increasing importance in the performance and evaluation of the company
- The increasingly embedded nature of the process in management audits, documentation, and data surveys
- The broadening of a more systematic process of social and environmental reporting, both within organizations and in public
- The critical importance of a sense of legitimacy in the process achieved by the increasing involvement of external auditing and verification

Illustrated in Table 3 are some different approaches to social and environmental reporting of leading companies. Skandia the rapidly growing Swedish insurance company has pioneered a form of Capital Valuation that seeks to understand, measure and manage different forms of capital including intellectual, human, social, environmental, structural and financial capital. BP and Diageo have elaborated Corporate Community Involvement Reporting into a series of social and environmental commitments benchmarked against the performance of other companies. The public sector in Scandinavia has developed a practice of Ethical Accounting developing shared values through regular stakeholder dialogue as a means of designing future policies and practice. Shell International has published a Statement of Principles and Values detailing the company’s commitments to financial, social and environmental responsibilities. Finally Interface Inc of Atlanta, Georgia has begun an environmental crusade under the leadership of their CEO, Ray C Anderson, involving an enthusiastic implementation of the most extensive range of commitments in their Sustainability Report.

### Table 2: Measuring Corporate Social & Environmental Performance

<table>
<thead>
<tr>
<th>VOLUNTARY REPORTING</th>
<th>COMPULSORY REPORTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental protection</td>
<td>Charitable donations</td>
</tr>
<tr>
<td>Energy saving</td>
<td>Employment data</td>
</tr>
<tr>
<td>Consumer protection</td>
<td>Pension fund adequacy</td>
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<tr>
<td>Product safety</td>
<td>Consultation with employees</td>
</tr>
<tr>
<td>Community involvement</td>
<td>Employee share ownership scheme</td>
</tr>
<tr>
<td>Value-added statement</td>
<td>Employment of the disabled</td>
</tr>
<tr>
<td>Health and safety</td>
<td>Contingent liabilities and provisions for health and safety or environmental remediation</td>
</tr>
<tr>
<td>Racial and sexual equality</td>
<td></td>
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<tr>
<td>Redundancies</td>
<td></td>
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<tr>
<td>Employee training</td>
<td></td>
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<tr>
<td>Mission statement/statement of Social responsibility</td>
<td></td>
</tr>
</tbody>
</table>


### Table 3: Different Approaches to Social and Environmental Reporting

<table>
<thead>
<tr>
<th>Defined Approach</th>
<th>Company</th>
<th>Measures and Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Valuation</td>
<td>Skandia</td>
<td>Regularly disclosed process to understand, measure, report upon and manage various forms of capital (including intellectual, human, social, environmental, structural and financial capital)</td>
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<tr>
<td>Corporate Community Involvement</td>
<td>Diageo (Grand Met) BP BT</td>
<td>Description, illustration and measurement of community involvement policies and activities through occasional reports. This approach may include benchmarking against other company performance</td>
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<tr>
<td>Ethical Accounting</td>
<td>Scandinavian Public Sector</td>
<td>Regularly disclosed process, based upon shared values which stakeholders develop through ongoing dialogue, aimed at designing future actions</td>
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<tr>
<td>Statement of Principles and Values</td>
<td>Shell International</td>
<td>Statement which develops, evolves and describes an organization’s principles in meeting financial, social and environmental responsibilities</td>
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<tr>
<td>Sustainability Reporting</td>
<td>Interface Inc</td>
<td>Evolving report process which identifies ways forward and reports upon progress against sustainability principles.</td>
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Companies engaging in such social and environmental commitments are undoubtedly embarking on an important shift in the essential values that motivate their companies (though Collins and Poras in their influential book Built to Last (1996) convincingly argue that the most enduring corporations in the United States, including Boeing, IBM, and Johnson and Johnson have sustained value commitments to all of their stakeholders). However in the last analysis there are powerful commercial arguments for developing social and environmental commitments and publicly reporting on them. As Linda Descano of Salomon Smith Barney recently has argued, a good environmental performance can reduce operating costs, increase revenue by product differentiation and customer loyalty, and provide innovation and market redefinition. With regard to social reporting this represents an important support to the recognition of the knowledge and contribution of employees as the pre-eminent productive resource.

There is a long way to go in the development of triple bottom line reporting, clarifying terminology, synthesising approaches, translating measurement techniques into better management of key resources, and improving standards of external audit and verification. John Elkington, the chairman of SustainAbility is working with Shell to refine their Report to Society, addressing three critical issues:

a) Priorities in addressing the economic, environmental and social dimensions of sustainability accounting and reporting?

b) How can policies, performance targets and measurement systems across these three areas be successfully integrated?

c) What is the appropriate balance in reporting between general business principles on the one hand, and the practicalities of management of specific businesses?

In summary the triple bottom line demands not simply new forms of accountability, but new forms of management and accounting. Out of all of this will emerge new forms of company, more integrated with and respected by the wider community, and experiencing better relationships with all stakeholders.

LEADERSHIP IN
INNOVATION COURSE

One of the most exciting initiatives BHERT is involved in is the unique Leadership in Innovation program.

The program is an intensive three-module live-in training course for prospective R&D managers developed by the CSIRO and the Business/Higher Education Round Table (a forum of business leaders and university vice-chancellors) with significant input into the program from BHP, F H Faulding, and the University of Melbourne.

The Achievement Through Teams – Leadership in Innovation program involves three residential periods of five days duration (commencing on a Sunday afternoon and finishing Friday lunch time). Module 1 is about Self-Management: Module 2, Team Building and Module 3, Organisation Culture and the Future of R&D.

The residential courses are held at small, quality conference centres close to capital cities.

The course design is specific to the needs of R&D technical project leaders; brings together participants from across organisations and functions; encourages integration of professional behaviour with personal goals; and encourages leadership through trust, respect for others and generating enthusiasm for a project.

The program is highly responsive to individual and group needs and provides an environment where participants form a strong learning community and ongoing networks.

The cost of the course is $10,000, which includes accommodation and meals, all training, course materials and coaching between modules.

The Federal Minister for Education, Training and Youth Affairs has provided a 50% subsidy, amounting to $240,000, for 48 university participants to attend the program over the next two financial years.

Dates for Achievement Through Teams Courses for 2001 are as follows:

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<th>ATT 15</th>
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<tr>
<td>Module 1</td>
<td>11-16 February</td>
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<tr>
<td>Module 2</td>
<td>25-30 March</td>
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<td>Module 3</td>
<td>29 April - 4 May</td>
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<tr>
<td>Module 1</td>
<td>18-23 March</td>
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<td>Module 2</td>
<td>6-11 May</td>
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<td>Module 3</td>
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<td>20-25 May</td>
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<td>Module 2</td>
<td>24-29 June</td>
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<td>Module 3</td>
<td>29 July - 3 August</td>
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<tr>
<td>Module 1</td>
<td>26-31 August</td>
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<td>Module 2</td>
<td>21-26 October</td>
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<td>Module 3</td>
<td>2-7 December</td>
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Information: Margaret Redford, Ph: (02) 6276 6265 or email: Margaret.Redford@lctd.csiro.au
Purpose
A series of prestigious awards initiated in 1998 to recognise outstanding achievements in collaboration between business and higher education in the fields of R&D, and education and training. The objective of the program is to highlight at a national level the benefits of such collaboration, and enhance links between industry and universities.

Eligibility
At least one of the participating organisations nominated for the award must be a member of BHERT.
At least one of the collaborating organisations must be in business and one in higher education.
Each submission must be signed by all participating partners.

Frequency
Awards are made annually and presented at the BHERT Awards dinner in November each year.

Number and categories of Awards
There are two Groups of awards.
The first group comprises two separate categories, (1) R&D, and (2) Education and Training. In each category, Awards are given for new initiatives, ie projects or programs in train for three years or less, and for established initiatives, ie projects or programs that have been in train for more than three years. These categories are further divided into projects or programs which involve companies with a turnover of less than $50m per annum, and those with a turnover of more than $50m per annum. This results in eight Awards.
The second group comprises two special Awards for collaborative R&D:
- Outstanding Achievement in International Collaborative R&D, and
- Outstanding Achievement in Collaborative R&D involving a Cooperative Research Centre.
An application may be submitted for an Award in one or both Groups, provided it meets the appropriate criteria. However, no application can win more than one Award.

Criteria for Assessment
1. Innovation – has the project or program produced new products or services; how innovative is it in its concept or idea, design, delivery or content; what new barriers has it surmounted; what new challenges has it identified?
2. Strength of Relationship – (a) what is the extent of involvement of the partners? (b) how has this grown over the life of the project or program? (c) how do the partners work together in a productive partnership? (d) are there obstacles and barriers the partners have had to overcome to make the collaboration work? (e) what other spin-offs have there been from the project or program for participating organisations?
3. Outreach Inclusion – has the project or program attracted new participants since its inception; has it become a model for other projects or programs?
4. National Benefits – these may be economic, financial, social, educational or community benefits: may include for example, growth in exports, creation of new jobs and so on.
5. Cultural Impact – what impact has the project or program had on the cultures of the participating organisations? What changes have occurred in what is done and the way it is done in the participating organisations? What changes have there been in attitudes, behaviour or values in the participants?

Process
1. Applications for 2000 were sought from all members of BHERT.
2. Deadline for applications was 31 July 2000.
3. Judging panel is:
- Professor Leon Mann, Pratt Family Chair in Leadership & Decision-Making, Melbourne Business School (Chairman)
- Dr Bob Frater, AO, Vice-President for Innovation, ResMed Ltd
- Ms Lesley Johnson, Director of Strategic Initiatives, Australian National Training Authority
- Mr Peter Laver, Chairman, Ceramic Fuel Cells Limited
- Dr Jane Munro, Principal & CEO, Firbank Grammar School
- Professor Vicki Sara, Chair, Australian Research Council
- Dr Peter Scaife, Director, Centre for Sustainable Technology, University of Newcastle
4. Evaluations are currently being completed.
5. The 2000 Awards will be presented at the BHERT Awards and 10th Anniversary Dinner on 16 November 2000 in Melbourne.
6. Submissions were to be no more than one page on each of the above criteria.
will take their place in industry and help to ensure that the BIRD flies further and higher.

We are in the midst of change. There are now three certainties in life – death, taxes and change. Change is inescapable and indeed our whole emphasis should be on embracing change so that we are amongst the winners in an extremely competitive world.

In terms of change, you will all be very aware of the Innovation Summit last February and of the implementation Group who are now working to bring to Prime Minister’s Science, Engineering and Innovation Council (PMSEIC) a set of recommendations that can be agreed between business, higher education, Government and the wider community. As well we have the White paper on Research and Research Training, which dramatically and rightly emphasises the importance of connectivity between higher education and business. None of you will need reminding that the Wills Report has resulted in a significant change in the position of the NHMRC.

Finally, the topic that is taking so much of my time at the moment, the Science Capability Review is looking, inter alia at higher education together with science awareness, science teaching, the supply of graduates and many other aspects of Australia’s science capability. Both ISIG and the Science Capability Review will be reporting to PMSEIC in an interim way on 2 June and the final report later in the year. Both will be tabling their recommendations for public discussion over the next few months.

I would like to talk a bit now about the Science Capability Review. Almost all of the Universities contributed to the review, together with many of the CRGs, CSIRO and other Government funded agencies and research associations. There were 10 or so significant inputs from the business sector. Whilst numerically the end-users are less well represented than the research providers, I note those businesses that did respond did represent well over 50% of BIRD. Interestingly, a common theme from the research providers was that there should be more Government funds into the area whilst a common theme from the business end was that the low BIRD was essentially because the Government funded R&D base inadequately reflects the needs of industry. This is a comment that we must take very seriously and indeed we can look to various initiatives to see improvements in this area.

A question of some interest is whether we should shift our priorities from preserving the existing industry base or focus on encouraging the growth of new industries. We could spend the whole evening on this but I think the answer is fairly clear, we must do both. It is interesting that if we are producing good graduates and post-graduates who have been trained in an environment where excellence, connectivity and collaboration are the order of the day, then we are producing people who can equally contribute to keeping our existing industries world-competitive or indeed be inventing the new industries that will ultimately transform the Australian economy.

ADDRESS GIVEN BY
Dr ROBIN BATTERHAM
Chief Scientist of Australia
at a BHERT Dinner on 23 May 2000
at the ANA Hotel, Sydney

Dr Batterham spoke extemporaneously from the series of dot points, which are reproduced below:

WHY THE ‘BIRD’ MUST FLY

“The Business/Higher Education Round Table is an important body representing the most senior levels of industry and Academe. As such I am delighted to be here and talk on the topic of why Business Investment in Research and Development (BIRD) must fly. Indeed if any further play on words was needed, I would say that I was delighted to be heard at BHERT.”

One of the strengths of BHERT is that it acknowledges the differences in culture between the business sector and higher education. The business sector is of necessity focussed on the triple bottom line whilst higher education is focussed on research as well as research training and in this undertaking often produces results of great interest to business. We should not forget however that the prime output of the higher education sector is the stream of graduates and post-graduates, many of whom
I have had the great privilege recently of visiting a few countries to see what their recent initiatives are in terms of the science, engineering and technology (SET) base. Overseas comparisons are tedious at the best because there are always arguments that can be made that massive increases in SET are simply catchup to make up for past omissions by Government. Two simple realities however apply. Firstly our levels of BIRD are far, far below those with whom we would compare ourselves, such as Finland, Canada, Ireland, let alone the UK or USA. Secondly any suggestion that the massive increases in some of the above countries are a catchup, must be offset against the fact that the increases just keep rolling on. We really must now look at our chance to change. We have indeed maintained our science base with more expenditure as a percentage of GDP than some other countries over the last 10 years, but our comparator countries are changing and changing faster than we are.

A few examples to give you the drift:

– Ireland is now a surplus economy with booming employment and significant activity in biotech and IT. Ireland is now the biggest software exporter in the world. The Wyeth Medical Campus to develop and produce genetically engineered drugs is a $1 billion initiative. Ireland produces a large number of graduates in maths and sciences to feed this burgeoning economy.

– Finland, we all know about Nokia and the fact that the Fins now have a BIRD of over 2%. 10 years ago it was similar to Australia’s level of BIRD. Interestingly, of the 10 richest people in Finland, seven are under 45 years of age and are from the IT sector. The Finish effort is the result of a determined nationwide initiative to invest heavily, not only in R&D but in getting small companies to work together, in pooling resources and in seeking new markets. The Fins have become aggressively innovative, a lesson for all of us.

– In the US, science and technology are valued in the congress. I asked Congressman Sensenbrenner, Chairman of the Standing Committee on Science, how hard he had to work to get the message across that having a healthy capability in science, engineering and technology was a vital part of the future. He looked at me as if I had come from another planet and explained that with $42.9 billion expenditure, they simply take it for granted that they must work hard on the SET base to maintain world leadership in science and produce the industries of the future. The recent massive increase in the National Science Foundation of $1 billion is set to be repeated this year, next year and the following year. A doubling of the NSF over four years.

– Many of you coming from the higher education sector will be interested to hear of the recent initiatives in Canada which include 2000 new Chairs and a $2 billion infrastructure fund.

– And so to Australia. I think it is of little use to engage in debate whether BIRD fell marginally in the period 1996-98 and is now again on the rise. Far more important to see what we’ve got to do to more than double this level over the next 10 years. A lot will be achieved by the industry and higher education attitudes to innovation. Both have a vital role to play, Universities in particular for their direct contributions to innovation and for the training and attitudes that they inculcate in graduates. A worrying aspect of business is that some international surveys of innovation, which included Australia, showed that our performance was average and certainly not in the top handful of countries. However the self-perception by Australian management in these two surveys was that we were in fact in the top handful of world leaders in innovation. That we can have such a difference between our actual performance and our own perceptions is a bit of a challenge.

There is no doubt that in many ways we are a branch economy, somewhat like Canada. That said, I cannot accept that we should automatically run with a low level of R&D and a low level of innovation. We have the resources, the education system and the people to make a huge difference. We need good graduates and we need universities with R&D at the leading edge. We need to get these graduates into industry who can integrate technology, market and business aspects to be the arms and legs of our innovation process.

We also need a lot more in the way of spin-offs and start-ups. Higher education and indeed Government funded agencies should be looking carefully at the chances to change here. Should we make it easier for equity positions now that the capital gains tax regime is more favourable? Should we have a series of Innovation Centres around the country that help researchers and entrepreneurs bridge the gap from that pre-competitive venture capital stage to a venture capital ready proposition?

Should we do more to encourage clusters? One can look at the biomolecular research institute in Queensland and commend the CSIRO, University of Queensland, the Queensland Government and others on getting together such a world-class act. Equally we can ask the question why it took of order 10 years to organise. Similarly we can look at the Waite Campus in Adelaide, at this marvellous collection of research and teaching organisations, the University, the CSIRO, a CRC, SARDI and the Wine Research Institute. All of these bodies working together to produce some very impressive results. But again, it took 11 years to happen. How can we make such things happen faster? I think an answer would be to have major funds for projects of this nature jointly funded between the Federal Government, State Governments and industry.

A few other points on where we are heading. It seems to me at this stage that the White paper on Research and Research Training is setting very appropriate directions. Equally I would see the recent initiatives in the science lectureship scheme as most appropriate.

Finally, I will refer to the recent CRC Association meeting which was a celebration of the successes from this scheme. I was delighted to hear at the meeting, comment from Senator Minchin that the roots of this system are now firmly embedded.
I appreciate the invitation to speak to such a distinguished gathering, both about the ABC and our changing role in the community.

Along the way I would also like to look at some of the issues exercising our minds about service, the internet, multi-channelling, the law and education.

The past year has seen dramatic change in the world of broadcasting.

Jonathan Shier became the new Managing Director of the ABC in March and the Corporation has embarked on a number of changes to meet new challenges and the aims of the Corporation.

Our aims are to emphasise Australian content and local production, to embrace new technologies and new business opportunities, and to simplify internal structures.

A particular interest is ABC television, which consumes half our expenditure. How to make it more reflective of the nation? How to build audiences? How to make the ABC even more valuable to people? And how to adjust our television schedule to a new era when viewers are more likely to receive the ABC through a set-top box than over a conventional antenna on the chimney.

While this has been going on we have been building new studios in Sydney and Melbourne, selecting a new site for our Perth operations in Western Australia and have begun selling off some of our older redundant property. This allows us to prepare for the technical demands of digital broadcasting and datacasting and, at the same time, to replace facilities in some cases over forty years old.

In Britain, the BBC has also announced a new structure. This happened after Greg Dyke became the new Director-General earlier this year and embarked on further change at the BBC. Again, what to do in television is at the forefront of his thinking, as is a general reduction in costly overheads including middle management numbers and a review of property holdings.

In Canada, the CBC also gained a new chief executive, Bob Rabinovitch. And he too has been thinking about what Canadians should see on their television sets that reflects both the nation and the provinces. He has also been reviewing his property holdings and overheads.

There are common themes emerging here.

Similar changes have occurred in other countries, such as South Africa, and especially in New Zealand where the new Government has demanded substantial change in the programming direction of Television New Zealand, requiring it to return more to a Public Service mandate.

**Digital future**

These changes are in part led by the financial constraints most national broadcasters, and indeed most public institutions, face these days, but also there are the enormous changes in technology. With the extraordinary take-up rate of the internet we are no longer just broadcasters but multimedia content providers, distributors and extenders.

Soon there will be multi-channelling, interactive applications and datacasting, the possibilities for the national broadcaster are almost limitless – provided there are adequate resources and spectrum available.

What we are seeing is new technology emphasising old needs.

At first the ABC was a broadcaster of the written word. Later, with the advent of tape recorders and more lightweight cameras, broadcasting moved to a more informal spoken coverage. Sound and pictures – the actuality of events – took prominence.

Now, with the internet, the written word has become important again. And so too have some diminished educational skills: punctuation, spelling and syntax.

Frankly, the education system has not helped much. The number of young people joining the ABC with inadequate writing skills is troubling. Worse, language standards have so deteriorated that our Standing Committee on Spoken English finds itself increasingly busy advising not just our own presenters – but our guest commentators – on pronunciation standards and word use.

For the ABC there are other practical considerations.

That vast storehouse of educational information ranging through history, science, religion to music and the arts, sport and drama can now be more readily retrieved and represented.

We find ourselves as a great repository of retrievable information via multimedia. A great reference library of Australian experience.

The implications of this responsibility are significant as the ABC seeks to respond to emerging demands from a marketplace now crowded with so many options.

**Public expectations**

There is a range of common challenges to be faced by the world’s major broadcasters, and especially the national broadcasters or, as they are more often called today: the Public Service Broadcasters.

The public has very definite cultural expectations. Each country wants to see and hear its own news, its own music, its own stories and drama, its own ideas, its own history and its own sporting success – or failure.

Yes, the public is certainly interested in what happens in other countries, but what happens at home is still the most important. We must provide information concerning both home and abroad.
The public expects to hear and see a comprehensive coverage of events through which they will be better informed and they are more likely to obtain that information from speakers and screens than from paper printed text.

Australians want to know what it is that is special about our country and its people, its history, its future. And so do the Canadians about Canada, the South Africans about their homeland and so forth. No-one wants to be swamped by American culture – or so they say, yet the world wide audiences for US network television products are staggering.

The current reconsideration of what television could be about, what windows it should open, how it can relate to both regional audiences and to the nation as a whole is a reflection of the imperative to better meet the public’s expectations and needs.

Enough about television - what about radio? Still the most portable, the most immediate, the most cost-effective and the most personal of all the ways we can communicate with our audiences - whether they be at home, or in the car, or in another country. And it is radio’s ability to be completely up to date that ensures our internet service is also up to date, generally ahead of television, and certainly ahead of the print media.

In all this change there should be a sense that broadcasters can bring communities together, can share and celebrate common experiences, even times of deep national sadness.

Coupled with bringing the nation together is the issue of proper recognition of the concerns of regionalism in Australia.

We like to think that the ABC recognised this long ago: first through our regional and farming broadcasts and the creation of programs such as The Country Hour. Hand in hand were our regional radio stations. Right from our beginning in 1932 there were ABC stations at Corowa and Rockhampton, and now we have some 50 regional studios spread across the country, both reporting to their local regions and beyond to the rest of the country.

And now with digital television and multichannels, there is the opportunity for television to better cover regional issues, local interests and also provide new, augmented streams of educational material, business information and other more specialised services.

These are very exciting developments to which can be added our recently enhanced ability to broadcast extensively to Asia and the Pacific through Radio Australia.

Need to put quality first

In 1999 the McKinsey company surveyed Public Service Broadcasters around the world. The results are interesting and not just because – by international comparison – the ABC emerges as one of the most effective Public Service Broadcasters in the world!

Despite increased competition and less regulation, McKinseys found that –

Public Service Broadcasters are probably more relevant than ever before;
the best broadcasters are those which are truly the most distinctive and those that popularise new program formats;
those with a clear mission or distinctive programming – a recognisable brand if you like – are likely to be most effective;
the most successful are modernising their operations, reducing overheads and looking for new areas of activity as the market changes;
and the better the quality of the public Broadcaster the better will be the quality of the country’s broadcasting system in general.

Measuring Quality

There’s more interest now in how you measure quality. How to track the engagement of the listener or viewer. Whether they respond to the programs and, if so, how. Do they take actions, write letters, buy books, use the internet, attend meetings or even protest in the streets?

Broadcasters need to move beyond simply observing the size of the audience to better understand the quality of the relationship each program has with its viewers, and also with more specific segments of the market.

The advantage here is that a broadcaster – and especially a Public Service Broadcaster must identify – programs with a low reach but high impact on its target audience, which may not be a general audience, eg programs for a particular age group or region;
programs that build a strong bond with the audience, which otherwise might not be served, eg the arts or education;
and trace underlying trends in audience patterns.

This allows better tracking of new programs to identify problems that might develop where the audience begins to lose its bond with an existing program.
Distinguished Speaker Series

There is a need to gain a more complete picture of the link between programs and audiences, especially when those programs are of a more specialist nature or are not necessarily designed to appeal to a broad audience.

The Importance of Quality in Broadcasting

The McKinsey survey identified Public Broadcasters as the pacemakers. They set the tone for broadcasting. They enrich the cultural landscape.

First and foremost they do this by offering a broad and varied range of high quality programs.

I don’t mean narrowly focussed, over-produced programming. I mean programs which directly connect with their audiences, which are seen as relevant, have good production values, meet generally accepted standards of taste and provide factual or educational quality.

There must be some popular programs in the schedule but these sit alongside programs designed for specific audiences.

It is our duty to reach as many people as we can even with the special interest programs. This could lead us to the phoney debate about ratings and the misrepresentations of dumbing down. Let me be clear: we should so promote and position ourselves that we are required listening and viewing for anyone with an interest in a given subject area.

News, Current Affairs and Commentary

Of course, news and current affairs are of general and enduring interest to our audiences and are a core responsibility under our charter. They occasionally provoke high emotions, particularly our current affairs and comment programs. Good quality commentary is essential. At the risk of testing the patience of some of you, I want to repeat something I said on another occasion.

Some of you will know of the work and writings of Peter Conrad. A brilliant graduate of the University of Tasmania, Conrad went to Oxford and stayed. He is one of the most stimulating critics and commentators of literature and music in Britain today. Two years ago he wrote in The Observer a most diverting article triggered by a four part television series on Channel Four called Critical Condition, a series which took a scaringly look at the critics who review British theatre, opera and music.

Conrad’s wide ranging article reminded us of some of the origins of criticism and commentary.

Dr Samuel Johnson, himself a brilliant critic and social commentator writing in 1759 in The Idler worried whether those less learned or less gifted than himself had the right to set up shop and trade in opinions.

Dr Johnson invented a character called Dick Minim who wanted to be a critic and, although dull and superficial, resolved to be a man of wit and humour.

In 1779 in The Critic Sheridan invented Mr Puff. Now Mr Puff was more venal than the dull Mr Minim. Puff puts his puffing up for sale; he offers compliments at a price.

Puff offers potential customers the choice between The Puff Direct, The Puff Preliminary, The Puff Collateral and presumably, after a lunch such as this, would have offered The Puff Post-Prandial.

In Mr Puff, Sheridan had invented the first press agent, the first spin doctor.

Regrettably, we still have some equivalents of Mr Minim today; trivial persons trying to be commentators but succeeding in being merely fussy pots and empty vessels. We need more successors of Dr Johnson, we have some, but we need more.

Even successors to William Hazlitt are needed. A savagely acute critic, Hazlitt turned his skill on Wordsworth whom he called sterile and on Byron, who was cancerous. Of course, the reputations of Wordsworth and Byron survived, but the point is, so also did Hazlitt’s.

Hazlitt provided us with an interesting insight into the psychology of the commentator in his 1826 essay On the Pleasure of Hating in which he wrote Without something to hate, we should lose the very spring of thought and action.

Haters or not, our society needs good critics and commentators, inheritors of Dr Johnson and Hazlitt. And we would be blessed by silence from the Mr Minims and less status and influence accorded to the Mr Puffs.

Good commentators help society to be more conscious of itself, aware of the direction it is taking, aware that there are indeed forks in the road, choices to be made. The leaders of our society honour us by engaging with our commentators. Our leaders are much more than a match for any descendants of Minim, but benefit us all by serious intelligent exchange with the inheritors of Dr Johnson and Hazlitt.

We have a duty to be balanced but not to be dull.

Freedom of Speech

I would like to spend a few minutes on the question of Constitutional Freedom of Speech in Australia.

Unlike the American Constitution, the Federal Constitution does not contain an express guarantee of free speech or freedom of the press.

However, in 1992 the High Court held by majority that the representative nature of the Australian government was the basis upon which a right of free speech in relation to political matters could be implied in the Constitution and that the legislative powers of the Australian Parliament are limited by this implied freedom of political communication (see Nationwide News Pty Ltd -v- Wills and Australian Capital Television Pty Ltd -v- Commonwealth).
This implied freedom gave rise to three fundamental questions. One: does this implied freedom create positive rights or merely act as a restraint on existing laws? Two: how absolute is the freedom? Three: what are the limits of political discussion?

**Positive Right or Restraint on Existing Laws?**

In 1994 (in *Theophanous-v-Herald & Weekly Times Limited* and *Stephens-v-West Australian Newspapers Limited*) the High Court considered the impact of these 1992 free speech cases on defamation law. By majority, it extended the implied freedom of political communication to include a constitutional defence to a defamation action where the publication concerned political and government matters and the publisher established that it was unaware of the falsity of the matter published, did not publish the matter recklessly (not caring whether it was true or false), and the publication was reasonable in all the circumstances. In these cases the High Court came close to finding a positive personal right to free speech in relation to political and government matters, as opposed to a mere restriction on legislative power.

In 1997 the High Court in another defamation case, *Lange-v-ABC* held that *Theophanous* was no longer good law. It confirmed that there was an implied freedom of communication on matters of government and politics in the Federal Constitution. However, it held that this freedom of communication on matters of government and politics does not confer personal rights on individuals. Rather it precludes the curtailment of the protected freedom by the exercise of legislative or executive power.

**How absolute is the freedom?**

This freedom of communication which the Constitution protects is not absolute.

In relation to defamation actions the High Court confirmed that State and Territory legislation and the common law may be read down or struck out if they contravene the freedom of communication and are not reasonably and appropriately adapted to serve a legitimate end which is compatible with the maintenance of representative government created by the Federal Constitution. It held that common law qualified privilege imposed an unreasonable restraint on that freedom of communication and that an extended common law qualified privilege defence relating to political communication was justified provided that the defendant’s conduct in publishing the material is reasonable in all the circumstances. Importantly in this regard, the High Court expressed the belief that, as a general rule, the defendant’s conduct will not be reasonable unless the defendant:

- had reasonable ground for believing the imputation was true;
- took all reasonable steps to verify the accuracy of the material;
- did not believe the imputation to be untrue; and sought a response from the person defamed and published the response, if any, except in cases where the seeking or publication of a response was not practicable or it was unnecessary to give the plaintiff an opportunity to respond.

**Political Discussion –**

The requirement that the communication must be about government or political matters embraces discussion of government or politics at federal, state and level. While the publication must concern government or political matters, it is not necessary for the plaintiff to be a politician.

I’m happy to say that the ABC has an excellent record of defending itself in such matters, respecting the law while yet discharging its part in the free flow of expression in our community.

**Quality service**

I mentioned service earlier.

There is no point offering a quality range of programs if your audience does not know about them, or when and how they can access them.

Our most useful programs will increasingly have other lives beyond traditional radio and television programming through other services.

Our online services are deliberately pitched at the quality end of the market. Like our broadcasting services, there are no advertisements. The emphasis with ABC Online is on quality information and informative content - on the extension of our broadcast services to meet the new opportunities multimedia offers.

Next will come datacasting, inter-activity and many other opportunities but, again, the emphasis will be on a range of quality offerings designed to service the Australian public, and to extend the range of services for all Australians, no matter where they happen to live together with our neighbours in Asia and the Pacific.

I hope what I have had to say has both interested you and made you think of the opportunities available to the ABC as we move to meet public expectations by harnessing the new technologies now available to us.

Thank you again for this opportunity to share these thoughts with you.
As a unique group of leaders in Australian business, higher education and research organisations, the Business/Higher Education Round Table (BHERT) sees as part of its responsibility the need to articulate its views on matters of importance germane to its Mission. In recent times it has issued Policy Statements and Papers – copies of which are available from the BHERT Secretariat.

Position Paper No. 1 (July 1998)
– Higher Education in Australia: The Global Imperative

The Business/Higher Education Round Table (BHERT) comprises the chief executives of many of Australia’s major corporations and the vice-chancellors of Australia’s universities, with the mission of advancing the goals and improving the performance of both business and higher education for the benefit of Australian society.

Education and training is a key ingredient in growing and developing the Australian economy. The industries of tomorrow are going to be increasingly knowledge-based. Higher education therefore is critical to the future of this country; in creating a “learning society” in which all Australians, of whatever social, cultural and economic background, have access to a post-secondary education of excellent value.

Without a national vision and sufficient investment in our higher education system, Australia and today’s young Australians are likely to be marginalised as the region moves towards higher welfare standards and more advanced social and political structures. Our goal is that Australia must develop the expertise of its human resources so that it is a significant regional leader in professional, service, education and technological fields.

In today’s environment there is a certain tension which universities and their staff feel in attempting to maintain the traditions of high quality research, scholarship and teaching.

Increasingly, reducing resources, coupled with a greater emphasis on revenue raising and entrepreneurial activities as well as inter-institutional competition, both domestic and international, have led universities and their staff to question their capacity to maintain the quality of the learning experience that they provide and the values of the research they undertake.

BHERT Policy Statements & Papers

BHERT has identified the necessary key features of the higher education sector in this country – the prerequisites for Australian universities to compete effectively at the highest international levels.

Position Paper No. 2 (October 1998)
– The Development of Cooperative Research Centres

CRCs were established in Australia in 1991 to foster ties between universities, industry and government departments and research organisations, in order to bring research closer to commercial realities and provide education and training opportunities. The program was established to address a number of specific issues, among which were:

1. The need to ensure that advances in science and technology were linked to applications in various sectors of the economy.

2. Related to this was the need to improve international competitiveness. The need to ensure that Australia’s undergraduate and graduate programs in science and technology were of world class; specifically involving researchers from outside the higher education sector to ensure better quality and performance.

The CRC Program was to play an important role in ensuring that Australia benefited from the strength of its science and technology resources. Specifically, it would help ensure that Australian research and research training remained at the forefront in those areas of specific importance to the country as a whole.

There are 67 Centres currently operating in six industrial areas:

- manufacturing technology;
- information and communication technology;
- mining and energy;
- agriculture and rural based manufacturing;
- environment; and
- medical science and technology.

Overall the program has resulted in a strongly positive effect on Australian spending on research and development by government departments, universities, CSIRO and other public R&D agencies and industry.

Position Paper No. 3 (April 1999)
– The Case for Additional Investment in Basic Research in Australia

In the latter half of this decade many OECD governments, including the US, Japan, Germany, UK and Canada, have recognised public investment in basic research as essential for economic development. Emerging Asian economies, despite the setbacks of the recent financial crisis, are maintaining growth in public investment in R&D including basic research. All these countries have provided additional funding for basic research despite competing budget priorities.
Much of the economic growth in this decade is attributable to the growth of knowledge-based industries particularly those associated with information technology and biotechnology. Returns on investment in basic research over the next decade are expected to be even greater than in the 1990s. Completion of the sequencing of the human genome scheduled for 2003, for example, will provide unprecedented opportunities for growth in biotechnology industries for countries able and willing to position themselves. Australia is one of only eight to ten countries that have this capability. Continuing rapid advances in information and communications technologies provide immense opportunities for nations prepared to exploit them.

As in the case of the UK, where substantial funding increases for research were provided within the context of a Competitiveness White Paper, Australia needs to ensure that additional funding is provided within a broader policy framework. Such a framework should ensure maximum returns from this investment through diffusion of knowledge to industry and community, improving the skills level of the workforce, encouraging organisational culture change and collaboration, and promoting competition.

The team of trained participants has helped reduce total development and technology transfer times by 25-30%. A significant increase in the number of parallel activities has been achieved with a greater number of projects and product introductions being handled simultaneously.

**Personal Outcomes**

Due to its experiential approach the course has had a lasting and positive impact on all participants. Without exception all participants realised significant personal outcomes from the course—both in their professional and private lives.

**Summary**

In the context of the enterprise, benefits from the course require a significant commitment from management to ensure that a “critical mass” of participants is built up as quickly as possible.

Based on this experience the critical mass for training is believed to be approximately 10% of potential leaders from all relevant functions and the return on this investment in training is at least 10-fold within the first year—(in Faulding’s case this represents a dollar contribution to the bottom line of $1.5 million in the first year).

**BHERT Paper No. 2 (August 1999) – The Knowledge-Based Economy: some Facts and Figures**

Issue No. 5 (June 1999) of BHERT NEWS focussed on “The Knowledge Economy”. This BHERT Paper extracts a number of statistical indicators from a document published in June 1999 by the Organisation for Economic Co-operation and Development (OECD), and provides some useful and interesting comparative data on Australia’s relative global position within the context of the knowledge-based economy.

**BHERT Paper No. 3 (September 1999) – BHERT: Survey of Benefits from Commonwealth Government Business Programs**

In recent times there has been considerable debate on the level of R&D undertaken by business in Australia, how we compare with other developed nations, and the trend of business expenditure over recent years.

Government programs designed to promote and encourage R&D and innovation obviously play a significant role in this context. Raw statistics, whilst helping to measure and track levels of expenditure, do little to explain the underlying reasons for changes or trends in levels of expenditure.

BHERT recognises the fundamental importance of R&D as the main driver of innovation, and the critical role government policy plays in building a supportive infrastructure for R&D.

In this context BHERT decided to conduct a survey across a range of companies to try to better understand the reasons behind the statistics and the impact various Commonwealth Government programs were having on business R&D expenditure.

The Report identifies what the respondents saw as the critical issues in R&D support and provides a series of compelling short case studies highlighting the experience of the business community with various government business programs in support of R&D.
SIFE’s mission is “To provide university students the best opportunity to make a difference and to develop leadership, teamwork and communication skills through learning, practicing and teaching the principles of enterprise and innovation in a market economy”.

In a nutshell, SIFE involves students from a university conducting projects in the community which will assist in promoting economic understanding. Students may then enter their project in a national competition which is judged by invited CEOs. The winning team then competes in the international competition in the United States.

Sponsorship is used to provide training for university mentors, prizes for national winners and runners up, and 5 tickets for the winning team to attend the international competition.

Awards are also made each year at the National Competition to outstanding business contributors to SIFE.

The program is being strongly supported in Australia by a number of businesses including Woolworths, Arthur Andersen, KPMG, Arnotts Biscuits, QANTAS, GE Capital, Kinko’s, and The Reject Shop.

It is also supported by BHERT (the Executive Director, Professor Ashley Goldsworthy is also Chairman and CEO of SIFE Australia Ltd), the Australian Chamber of Commerce and Industry, and the Australian Retailers Association.

There are now 15 universities participating and many others have indicated they will be joining the program.

It was decided in February to mount a National Competition this year, to meet the deadline for the international competition.

Four of the universities took up the challenge, with only 8 weeks to prepare - University of New South Wales, University of South Australia, Southern Cross University, and Griffith University. The inaugural competition and awards dinner was held in Sydney on 29 April 2000.

The teams presented their projects and demonstrated how free enterprise principles were taught to participants, and how profitable and worthwhile outcomes were achieved for all involved.

The project presentations were judged by Roger Corbett, CEO Woolworths Limited; John Harkness, Chairman of Partners-NSW KPMG; Craig Jackson, Partner Arthur Andersen; Barry Saunders, Managing Director, The Reject Shop; Bill Healey, Executive Director, Australian Retail Association – NSW; and Steven Leighton, Sales Manager, Heinz Watties.

Prizes and travel totalling $30,000 were awarded to the winning team and runners up.

Some of the SIFE projects presented by the 4 teams included working with a local museum to develop the business skills to make it a profitable tourist operation; working in conjunction with Australian Business Week and enhancing their program by providing the participating high school students with increased team building and leadership skills; working with local RSL Clubs to provide advice on more profitable as well as environmentally sound energy programs; upskilling local small businesses in computer programs; and working with students in lower socio-economic groups to prepare them for taking on tertiary education.

The panel of judges selected Griffith University as the winner of the KPMG SIFE Australia National Competition. Dr. Campbell Fraser and his team of students (Daphne Mole, Pamela Fitzgerald, Amanda Parker and Amanda Margerison) travelled to Kansas City, Missouri, USA in May to represent Australia in the Hallmark Cards SIFE International Exposition – a first for Australia.

It was a great honour for Griffith University and Australia to be represented at such a prestigious international competition with 125 teams competing.

The team from Griffith University did an outstanding job and were excellent Australian ambassadors at the International Exposition, and to cap it all won “Rookie of the Year”.

Several other universities have now committed to entering the competition which will be held each December from now on, in preparation for the international competition the following May.
Some comments about SIFE from CEOs are as follows:

“Woolworths is one of the largest employers of young people in Australia, and as such, we are committed to giving time, energy, and financial assistance to a program which not only benefits the students, but also the community. I applaud the SIFE program as one of the most successful and significant in bringing universities, businesses, and the community together in a single endeavour.”

Roger Corbett CEO Woolworths Limited

“Innovation and enterprise are catch cries in the new economy. SIFE is an organisation which fosters these ideals, providing young people with the opportunity to channel their energy and enthusiasm for the benefit of the community, free enterprise, and their own career development.”

John Elliott, Partner Arthur Andersen

“Australia needs a more enterprising and innovative economy. We need a society that is creative and entrepreneurial. The leadership, teamwork, communication and management skills practiced in SIFE will stand students in good stead in whatever they do in later life. Australia will benefit because many more will have experienced the benefits of free enterprise”.

Professor Ashley Goldsworthy AO OBE, Executive Director, BHERT and Chairman and CEO of SIFE Australia Ltd

“KPMG in the United States has supported SIFE for a number of years and KPMG is now working with SIFE in a number of countries including Australia. We see it as an outstanding opportunity for students to come in contact with the business community while still at university, whilst at the same time undertaking projects which will really benefit the community”

Doug Jukes, Partner KPMG

“Arnott’s has a long history of helping young Australians get a head-start in their careers. And that’s exactly what SIFE is about. It provides young people with a terrific opportunity to develop their entrepreneurial spirit through working with businesses and the community”

John Doumani, Managing Director, Arnott’s.
The meeting was very successful and feedback from those participating was extremely positive, as was the Minister himself.

The real success will be in the outcomes that flow from the meeting. The meeting itself was useful as the commencement of a regular dialogue between BHERT and the Minister. It also highlighted a number of issues that needed to be addressed by various stakeholders in higher education.

Another benefit was that the Minister indicated quite clearly that he welcomed advice from a variety of sources, and he saw BHERT as being a valuable potential source of advice.

This opens up some new opportunities for BHERT, and it would be remiss of us if we did not grasp the moment.

As a consequence we sought volunteers from our membership to establish Task Forces on some key issues. The objective of a Task Force is to examine an issue and produce a Position Paper for the Minister that gives him an option or perhaps several alternative options for addressing that issue.

The response was overwhelming. Below is a list of the Task Forces that have been established and their membership.

If anyone from a member organisation wishes to participate in any of these Task Forces, would they please contact the co-ordinator (first person mentioned) of the Task Force they are interested in.

---

**Generic Skills**

Professor Paul Hager, Faculty of Education, UTS  
(Dr David Beckett, Dept of Education Policy & Management, University of Melbourne)

Professor Anne Martin, Deputy Vice-Chancellor, Deakin University

Professor Bill Lovegrove, Deputy Vice-Chancellor, Griffith University

Professor Elizabeth Harman, Deputy Vice-Chancellor, Edith Cowan University

Mr Colin Thatcher, Assistant Director, Business Council of Australia

**Greater Involvement by Industry in Education and Training**

Joe Fischer, Group General Manager  
Human Resources, P&O Australia

Professor Rod Belcher, Faculty of Engineering, UTS

Professor Brian English, Deputy Vice-Chancellor, University of Newcastle

Professor Sandra Harding, Dean, Faculty of Business, Queensland University of Technology

Professor Trevor Cairney, Director of Regional Development & Partnerships  
University of Western Sydney, Nepean

Mr Colin Thatcher, Assistant Director, Business Council of Australia

**Education Needs of the IT Industry**

Rob Stewart, Chairman,  
Melbourne IT

Professor John Hughes,  
Faculty of Mathematical & Computing Sciences, UTS

Professor Paul Swatman, Head,  
School of Management Information Systems, Deakin University

Professor Robin Stanton, Pro-Vice-Chancellor (Academic), Australian National University

Mr David Thodey, Chief Executive Officer,  
IBM Australia Limited

Professor Ann Deden, Pro-Vice-Chancellor (Teaching, Learning & Technology),  
Edith Cowan University

**Should Higher Education be Viewed as an Industry?**

Professor Mary O’Kane, Vice-Chancellor,  
University of Adelaide

Professor Don Aitkin, Vice-Chancellor,  
University of Canberra

Professor Margaret Gardner, Pro-Vice-Chancellor (Business & Equity), Griffith University

Professor Bernard Carey, Deputy Vice-Chancellor,  
University of Western Sydney, Hawkesbury
The Need for Greater Investment in Higher Education in Australia

Professor David Beanland, Vice-Chancellor, RMIT University
Professor Denise Bradley, Vice-Chancellor, University of South Australia
Peter Harris, External Affairs & Communications, Shell

The Role of Regional Universities

Professor Hilary Winchester, President, University Academic Senate, University of Newcastle
Mrs. Margie Cole, Assistant Registrar, Northern Territory University
Professor Andrew Glenn, Pro-Vice-Chancellor (Research), University of Tasmania
Professor Paul Thomas, Vice-Chancellor, University of the Sunshine Coast
Professor Kevin Sproats, Professor of Urban & Regional Governance, University of Western Sydney

How Seamless Should Higher Education Be?

Professor Lesley Parker, Senior Deputy Vice-Chancellor, Curtin University
Professor Iain Wallace, Vice-Chancellor, Swinburne University

What is Needed to Make Australia a Truly Learning and Knowledge-Driven Society

Professor Ian Reid, Deputy Vice-Chancellor (Teaching & Learning), Curtin University

How Should Diversity in the System be Encouraged?

Dr John Clarke, Manager, Strategic Policy & Planning, University of Southern Qld
Professor Iain Wallace, Vice-Chancellor, Swinburne University
Professor Paul Thomas, Vice-Chancellor, University of the Sunshine Coast

Sharing Administrative Functions Between Universities at Lower Costs

Kevin Woods, Pro Vice-Chancellor (Resource Management), Murdoch University

The Importance of the Social Sciences in Policy Development at Government Level

Professor John Wood, Pro Vice-Chancellor (Research & Advancement), Edith Cowan University
Professor James Walter, Pro-Vice-Chancellor (Arts), Griffith University
Assoc Professor Kerry Carrington, University of Western Sydney, Hawkesbury

Telecommunications Infrastructure

Rob Cartwright, Group Managing Director Employee Relations, Telstra
Dr Jeff McDonnell, Director ITS, University of Southern Qld
(Mr Steve Tanzer, Registrar, USQ)
(Mr Merv Connell, Network Manager, CQU)
Professor Brian Anderson
Director, Research School of Information Sciences & Engineering, Australian National University

The Critical Importance of Lifelong Learning

Professor Peter Sheehan, Vice-Chancellor, Australian Catholic University
Dr Mark Toner, Chief Executive Officer, Kvaerner Process
(Ms Sheila Deane, HR Director, Kvaerner Process)
Professor Marilyn McMeniman, Dean of Education, Griffith University
Professor Judith Chapman, Director, Centre for Lifelong Learning, Australian Catholic University

Impact of the Internet on Education Service Delivery

David Buckingham, Executive Director, Business Council of Australia
Ms Helen Hayes, Vice-Principal (Information), University of Melbourne
Professor John Dearn, Director, Centre for the Enhancement of Learning, Teaching & Scholarship, University of Canberra
Professor Brian Platts, Deputy Director, Institute of Interactive Multimedia, University of Technology, Sydney
Mr Bernie O'Donnell, Pro-Vice-Chancellor (Planning & Development), Charles Sturt University
Professor Jim Hann, Executive Director Information Services, Southern Cross University

Immigration Restructures

Professor Lindsay Mackay, Pro-Vice-Chancellor, Deakin University
Dr Rakesh Agrawal, Chair of the School of Business & Industry Operations Management, University of Western Sydney, Nepean
Ms Sue O'Keefe, Director of International Centre, University of Western Sydney, Hawkesbury

The effects of the increasing number of private providers entering higher education

Assoc Professor Roger Alexander, Chair, Dept of Design, University of Western Sydney
The purpose of the Business/Higher Education Round Table (BHERT) is to pursue initiatives that will advance the goals and improve the performance of both business and higher education for the benefit of Australian society.

It is a forum where leaders of Australia’s business, research and academic communities can examine important issues of mutual interest, to improve the interaction between Australian business and higher education institutions, and to guide the future directions of higher education.

**Mission Statement**

In pursuing this mission BHERT aims to influence public opinion and both government and non-government policy on selected issues of importance.

BHERT believes that a prerequisite for a more prosperous and equitable society in Australia is a more highly-educated community. In material terms it fosters economic growth and improved living standards - through improved productivity and competitiveness with other countries. In terms of equity, individual Australians should have the opportunity to realise their full social, cultural, political and economic potential.

The membership of BHERT comprises, by invitation, the chief executives of major Australian corporations and research organisations, and the vice-chancellors of Australian universities.

BHERT pursues a number of activities through its Working Groups, State Chapters and active alliances with relevant organisations both domestically and internationally. It publishes a regular newsletter (BHERT NEWS), reporting on its activities and current issues of concern relevant to its Mission.
This study, by the Institute for Research into International Competitiveness at Curtin University of Technology in Perth, commissioned by the Business/Higher Education Round Table (BHERT), quantifies for the first time the enormous contribution made by the university sector to the national economy.

The study measures the economic impact of the university sector in three ways—

1. The income and employment generated by teaching and research;
2. The enhancement of the nation’s human capital through its education of university graduates; and
3. The creation of wealth through the spillover effects of its R&D activities.

The Report quantifies each of these impacts separately. It shows that the government gets a positive payback in a number of ways.

It is interesting to note that less than half the total economic impact of the university sector comes from the direct expenditure of universities. Of more significance is the estimate that the total impact is some $22 billion per year.

The Report provides a unique insight into the information and methodologies utilised in the study. It underlines the importance of higher education as an “economic good.”

In his Foreword to the Report Dr. David Kemp, Minister for Education, Training and Youth Affairs says:

“...it provides a foundation from which to consider the crucial issues of public and private funding of higher education.”

And further “…note(s) how valuable the information it contains will be for everyone interested in higher education issues.”

See order form on page 45...

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