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Why business matters: The top ingredients of real community business partnerships

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2004 Communities in Control Conference

Session: A Vision for the Future

Melbourne, June 2004

(*If quoting from this speech, please acknowledge that it was presented to the **2004 Communities in Control conference, convened by Our Community and Catholic Social Services.**)



Having been asked to share my views and experiences from my corporate background, I thought I would start by posing the provocative proposition for some, that corporate responsibility, community investment and good governance is not a brake on the creation of shareholder value: that it is increasingly central to its sustainable creation.

I want to explain the threats that will arise to society if Australian companies don't embrace their wider responsibilities. And I will set out Westpac's approach and strategy to play its part in making corporate responsibility and contributing to social capital building an organic part of Australian business life.

Let me start with the context. Until as recently as the late 1980s, the biggest player in the national arena was, of course, government. The Federal Government had direct ownership of many companies including a bank, an airline, a phone company, a railroad, a shipping company, a ship-building business...even a blood products company. State Governments owned insurance companies and banks as well.

Australia was never quite a welfare state, but there was a very high degree of paternalism involved in the relationship between government and community.

Australian companies were heavily fettered and constrained. Business was always there, and important, but operated in a very tightly controlled and regulated space in national life.

Australian business campaigned vigorously for greater freedom and given the generally strong case had great success. Over the past twenty years we've seen massive economic and social change, with the role of government progressively reduced through deregulation and selling off the government owned enterprises.

Power that used to reside largely in central governments is now widely dispersed through both business and non-government organisations. At the top end, the largest global corporations are now bigger than many national governments, and an estimated one third of total global economic exchange occurs within companies.

As a result, the role of business has dramatically expanded, with far greater freedom to operate and influence societal outcomes.

Equally important, however, has been the withdrawal of government from centre stage, with both sides of politics asking individual Australians to take on new responsibilities.

Today, we are all expected to embrace a more mature form of citizenship - one in which reciprocal obligation is a well-entrenched idea. If we want higher education, we now contribute to its cost. If we want discretionary health treatment, we pay for it. If we want welfare, we may be expected to work for it.

There is no question that society is becoming less paternalistic and more individualistic. And this is resulting in a more stressful environment.

Individual good seems to be taking precedence over the common good. And there's more change and uncertainty. Jobs are for now, not for life. And in the suburbs and the regions, too many people are feeling excluded.

Most people don't like the sense of powerlessness that this brings and the signs are everywhere. What's more, people are making their feelings known.

They are saying to companies; look at it through our eyes; add empathy to your corporate strategies. To those of us in leadership roles they are saying – we expect more. Redefine your

roles and develop a new style of leadership that blends compassion with competitiveness, they're telling us.

In simple words, they want us to conduct our business in a way that not only meets our profit imperative, but also fulfils our broader responsibilities.

And that's the bottom line.

And it's here where the business community has generally erred. Big business has been quick to celebrate and embrace the privatisation of power, but stands accused of being equally slow to recognise and embrace the greater responsibility it brings.

At the more extreme ideological end, there are still some who think that they not only have no moral obligation to play a role in society, but also are obliged actively to remove themselves from the hurly-burly of public engagement. 'Our task is profit, our mission is shareholder value, and our destiny is prosperity', goes the dogma.

But as I have said, the community thinks differently. And rightly so. It seems to me that any rational business-person must surely understand that national economic and social prosperity are intimately entwined: that it is in the direct interests of business to make its fair contribution to the overall well being of our society.

At the end of the day, in any sustainable civil society, I don't believe there can be rights without responsibilities. And frankly, whatever the private view of some business leaders, business is going to have no choice in this matter. The community can and will punish organisations that fail to meet modern expectations.

We all know that a business needs a license to operate - tangible evidence of its legitimacy. But equally important is a company's social license to operate - the intangible community support which management thinker Peter Drucker refers to as "social legitimacy". For businesses to retain their social legitimacy, they must be perceived by their communities to be using their increased power responsibly.

At Westpac, we know the community's eyes are firmly on us.

We know they're looking to us, and to others in big business, to play our part in helping to overcome the erosion of community now endemic in parts of Australia.

And here's the important thing. Based on our experience, leading beyond the walls in doing the right thing and contributing to genuine community building does not require a trade off in competitiveness or in financial performance.

Quite the contrary, contributing to the common good and walking the talk on social responsibility builds community trust. And with trust in our companies being in short supply, this has got to be good for business, and good for the overall community.

It has worked for us at Westpac.

With public resentment running red hot in the second half of the 1990s, we took some decisive actions - Actions to address the widespread community concerns and to win back the public's trust.

In 1998, we launched a fee-free basic banking account for pensioners, students, young people, people with disabilities, and people on welfare. This was a first for Australia. And it helped bridge the gap for low-income earners and other disadvantaged groups in terms of their access to essential banking services.

And in the same year, we declared a moratorium on further branch closures in regional and rural Australia. We've stuck to that and have now extended it to metropolitan areas.

My point in mentioning these actions is not at all about breast-beating. After all, these actions simply reflect a proper awareness of our responsibilities in society.

There's certainly more we can and will do as part of our commitment to inclusion, fairness and compassion – qualities that Australians want to see in large institutions. And there is certainly more we can do to contribute to community building. This is particularly so given the growing interdependency of business, government and the community.

So I thought I would share our experience at Westpac as a global leader in sustainable business practices and a local leader in community involvement. I particularly want to share some of our experiences in innovating new forms of community business partnerships.

From a strategy perspective, companies like Westpac are increasingly directing their community contributions towards activities and partnerships that more directly strengthen their social license to operate while delivering positive outcomes for stakeholders. We've learnt that the way to maximize our social contribution is by collaborating with community organisations - and also with governments, statutory authorities, NGOs, and other institutions - to make two and two amount to much more than four.

Our annual Social Impact Report and our community involvement booklet "Because" details our approach to building long-term community relationships. You will see the substance, for example, of our belief that the best way we could help correct indigenous and rural poverty and

disadvantage is by building local capacity and by contributing to the creation of a robust regional economic activity.

But relationships such as those built by Westpac do not come just from expressions of good will and good intentions. They are the product of an open-eyed approach that defines the fundamental values and aspirations of both parties. Only when these are clear can a productive relationship occur. It is also imperative that both sides of a relationship understand the mutual aspect of any expected benefits.

Westpac has a number of long-term community partnerships with particular organisations based around the extent and diversity of our footprint in the community. And by long term I mean 30 years plus. Let me give you some examples of how this has all developed into deep community partnerships involving a high level of engagement.

The Westpac Rescue Helicopters not only deliver great brand value they deliver an essential community benefit. Thirty years down the track and over 75,000 lives saved we are still learning and evolving the partnerships into a rich and genuine community involvement. The rescue services now span the Sydney and Wollongong basins, and key regional areas such as the Tablelands, the North Coast and the Hunter regions in New South Wales, plus the southern coastal areas of Queensland.

And I'm pleased to add that as of early this year we now have a Westpac Rescue Helicopter and beach watch service operating in Victoria through a new and valued partnership with the Victorian Surf Life Saver Association as their State sponsor.

Another of our community partnerships that is building social capital through the innovative application of resources is with The Salvation Army. The primary element of the partnership is the Red Shield Appeal, which we have supported for the last 33 years. Westpac helps the Salvos to improve the effectiveness of

the Appeal by utilising our people, networks and expertise to expand the reach of the Appeal. In return, we benefit from the association with one of Australia's most well-loved charities and the Salvos consistently provide opportunities for Westpac staff to develop closer links with their local communities as well as providing avenues of access to its services for staff.

What's amazing about this partnership is there is no contractual arrangement in place; it has stood the test of time purely on the basis of mutual understanding, over three decades. The reasons for its sustained effectiveness include the sharing of common values as well as the added credibility that both partners share as a result of the collaboration. There are clear benefits to both organisations. Most importantly, the partnership enjoys interest and commitment from the very highest levels of leadership as well as from the 'hands-on' ranks, and it is the constant points of contact that ensures the partnership remains sustainable.

One of our newest ventures is in Cape York and it's a leading edge example of modern innovative partnerships.

Westpac joined with the Indigenous Enterprise Partnership in 2001 in a three-year commitment to work with the Indigenous communities of Cape York on initiatives aimed at fostering self-sufficiency for indigenous communities.

Over three years, we are providing a full-time project manager and some 150 staff, each for one month, to support two initiatives – the Family Income Management Scheme and the Balkanu Business Hubs Strategy.

The Family Income Management Scheme is assisting individuals, family household groups and clan groups to better manage the income and funds coming from various sources and to develop family budgets. The program is helping individuals and families to provide for everyday necessities while setting something aside for short and long term goals.

In the Business Hubs initiative, Westpac staff work with the Balkanu Cape York Enterprise Development Corporation to develop business hubs. The hubs encourage entrepreneurship by assisting indigenous businesses with banking, record keeping, cashflow management, taxation, insurance, and business registration - in essence all the components needed to develop thriving and sustainable businesses.

In 2003, Westpac and the Indigenous Enterprise Partnership was recognised in the prestigious International Corporate Conscience Awards, receiving the award for Innovative Partnerships – the first Australian Company to receive such an Award from Social Accountability International.

Our most recent partnership is with Our Community. It has been the trigger to launching of Community Solutions – our innovative package of banking solutions for the benefit of not-for-profit community organisations.

Community Solutions greatly increases our scope to create positive impacts for each and every one of the 700,000 community groups in Australia through banking products better suited to their needs. Full details of our Community Solutions package and benefits are available in the brochure on your seat.

But the partnership with Our Community doesn't stop there. Combining our financial expertise with Our Community's knowledge, we've developed a unique financial literacy tool. It's an essential guide for community treasurers that includes advice on keeping the books, asset registers, cash flow, tax, and so on - all of which are essential to running a successful community organisation.

I encourage all community groups and their treasurers to make use of this exciting learning tool that breaks down complex financial concepts while providing practical examples. A copy of the guide is also on your seat and additional copies are available free of charge from both the Westpac and Our Community web sites.

On top of these examples, our direct community assistance programs range across many other causes: from youth education to charitable and welfare support; from medical research to overseas aid; from environmental programs to support for the arts; from capacity building programs to financial literacy. The list goes on.

At the heart of all this is the active involvement of our staff in the community. We've successfully supported our people in getting involved through several avenues; particularly via our community day paid leave entitlements and flexible working conditions.

And our Westpac Matching Gifts Program vividly illustrates the success and depth of their involvement. Within the program, staff voluntarily raise funds for their chosen Deductible Gift Recipient status organisations. Westpac then matches their donation dollar for dollar. Many staff also make donations via payroll deductions. Since we started a couple of years ago, our staff have donated some \$3.5 million. Which means a total of around \$7 million has gone out to some 600 charities through this program alone.

At the current time our total annual contribution through our community support and involvement programs equates to around 1.5% of our pre-tax profits. This equates to over \$30 million of support for the Australian community each year.

This is shareholder's money that we believe is well invested in maintaining our social license to operate. We don't give it away for purely altruistic reasons. Our shareholders can do that better than we can.

But we do it to engineer a sustainable business and a sustainable society. A business that enjoys the confidence, trust and even perhaps the admiration of our owners and the people who work in it. And a society in which we can adequately pursue our financial aims.

Our aim is to remain a leader in the development of innovative community partnerships. In doing so, we will need to become even better at valuing and measuring our contribution so that we continually ensure that there are appropriate returns from the community investments. After all, if there is not an appropriate return on the investment then our shareholders are entitled to question it and to ask 'whose money is it anyway?'

Which is why asserting the imperative of good governance and corporate social responsibility is one thing but developing the right strategy and implementing it effectively is quite another thing.

From our experience, at its base, a mindset of corporate social responsibility is simply having a set of decent values that underpin the company's everyday activities: its corporate governance; its human resources policies; its attitudes to customers; as well as its links into the community. It's not rocket science.

But implementing it absolutely requires leadership from the top and at Westpac this is not handled in an ad hoc fashion. In fact, we have created a specific board committee to oversight our corporate responsibility. We demand plans from our operations that turn these aspirations into realities.

Of course, the hardest part of all is simply getting started. But the examples are now out there for people to follow.

Let me conclude.

Making the shift to a culture of corporate responsibility and building real community business partnerships can only happen with genuine leadership. Perhaps the greatest enemy to rapid progress is the cynicism of those who merely adopt the language of good governance and corporate social responsibility without genuinely embracing it.

Yet I remain optimistic. I believe the business case for corporate responsibility and community capacity building is so compelling that it will soon be accepted as a new kind of norm in business life. Certainly, a company's level of corporate responsibility is emerging as a significant indicator of its overall health as a business, as well as a major factor considered by potential investors.

As a nation we have been global innovators of social change in the past – women's suffrage, child endowment and unemployment assistance for example. And we can surely do it again in developing community business partnerships that put us at the forefront of a new era - a better era for business, for economic prosperity and for our community.

Thank you.