

Sustainability Practices

of New Zealand Businesses in 2006

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EXECUTIVE SUMMARY

IN 2003, the Waikato Management School (WMS), in partnership with the Sustainable Business Network (SBN), sponsored research into the sustainability practices of New Zealand businesses (Lawrence & Collins, 2004). This research was the first broad benchmarking survey of its kind. The report documented the nature and extent of the adoption of sustainability practices in over 800 businesses, as well as the drivers and barriers to implementing those practices.

In 2004/05, a series of focus groups and interviews were conducted with a random sample of the 2003 survey respondents. The purpose was to add more depth to the initial tick box survey answers. This report details the findings of that research, as well as the results of the second national sustainability survey completed in 2006.

Our key research question was: **What is the nature and extent of business adoption of sustainability practices in New Zealand?** In addition, the research details:

- Changes/trends in sustainability practices from 2003 to 2006;
- The role of networks such as the SBN;
- Reporting of sustainability practices;
- Drivers (internal and external) to adoption of sustainability practices;
- Barriers to adopting sustainability practices, and;
- Businesses' perception of the importance of sustainability issues in the future.

Against a backdrop of increased media and government attention to sustainability issues, we expected to see an increase in the uptake of social and environmental practices from 2003 to 2006. There was, in fact, an average increase of 10% in the number of companies adopting environmental practices. There was less of an increase for social

practices, although still more commonly adopted by companies than environmental practices.

The three most common environmental practices included implementation of a recycling programme (70%), consideration of environmental impacts of products, processes and/or services (63%) and membership of an environmental group or network (39%). For social sustainability, which includes how a company treats its employees and how it treats its community, the most common practices were job training (75%), contributing to charity (75%), support of local community projects (64%) and family-friendly policies (64%).

One of the key reasons we went to companies individually to query their sustainability practices was that only a few New Zealand companies produce sustainability reports, lagging behind the international trend (Milne, Owen & Tilt, 2001) . Eighty percent of companies issued some type of sustainability report in Japan, in the United Kingdom the figure is 71% (KPMG, 2005), but in our survey we found that only 11% of companies report.

What was surprising was that the increased media and government attention did not translate into significant increases in pressure on firms to adopt these practices. Internal pressure might come from stakeholders such as employees, shareholders, Boards of Directors and/or parent company. External pressure might come from customers, competitors, government and/or interest groups. Sixty-seven percent of firms reported no pressure to adopt social practices and 50% no pressure to adopt environmental practices.

Although businesses said they were not currently feeling pressure, many thought they would in the future. Sixty-two percent of managers thought environmental issues would

become more important or much more important in five years versus 55% for social issues. These figures were not dissimilar to our 2003 findings, and yet, three years later there had not been a significant increase in pressure on firms to adopt these practices. Customers are not asking for it, shareholders are not demanding it, and yet, there has been an increase in social and environmental practices. Why?

What we heard from managers about sustainability was that it was personal. Values and beliefs of management were the overwhelming driver, cited by 52% (10% increase from 2003) for environmental issues and 46% (3% increase from 2003) for social issues. In addition to values and beliefs, reputation and brand were the key drivers for adoption of sustainability (57% in 2006 compared to 47% in 2003).

Costs (51%), management time (39%), and knowledge/skills (31%) were the three most commonly reported barriers to adoption of sustainability initiatives. Results from our focus groups in particular showed that companies were hungry for more information related to sustainability – what can be done and how it should be done was what managers want to know.

In addition to comparisons between results from 2003 and 2006, we compared SBN members to non-SBN members and found that SBN members had a greater uptake of environmental practices, increasing from 2003, but a lower uptake of social practices, decreasing from 2003. It was not clear why this was the case, particularly because SBN members were more likely to see the importance of these issues in the future and reported higher levels of motivation from values and beliefs.

A likely explanation relates to firm size. We found firm size to be the best predictor of the uptake of sustainability practices, with large firms adopting more social and

environmental practices. SBN as an organisation caters to small enterprises and there were more of those in the SBN sample (105) compared to the non-SBN sample (76).

Differences between the two groups were significant when it came to drivers for adopting social and environmental initiatives with non-SBN members more likely to be driven by regulations and attractiveness to employees, while SBN members were more driven by reputation and brand.

Finally, we compared the uptake of sustainability practices by firm size. In New Zealand with our predominance of small and medium-sized enterprises (SMEs), it is critical to have information on SMEs. As mentioned above, large businesses (over 99 employees) were more likely to be engaged in environmental and social issues. However environmentally, small businesses (1-9 employees) showed the biggest increase in activity from 2003 to 2006. Social practices reflected company size, with the smallest uptake coming from small firms.

Large businesses were more likely to cite barriers to adopting sustainability practices, but at the same time also cited more drivers for adoption. This could be because large businesses, which were more engaged, were also more aware of the complexity of the issues, including advantages as well as obstacles to adoption.

SUSTAINABILITY PRACTICES OF NEW ZEALAND BUSINESS

Overview and rationale for the project

In 2003, the Waikato Management School (WMS), in partnership with the Sustainable Business Network (SBN), sponsored research into the sustainability practices of New Zealand businesses (Lawrence & Collins, 2004). This research was the first broad benchmarking survey of its kind. The report documented the nature and extent of the adoption of sustainability practices in over 800 businesses, as well as the drivers and barriers to implementing those practices¹.

In 2004/05, a series of focus groups and interviews were conducted with a random sample of the 2003 survey respondents. The purpose was to add depth to the simple tick box survey answers. This report details the findings of that research as well as the results of the second national sustainability survey completed in 2006.

The research was conducted against a backdrop of rapidly changing views on issues related to sustainability. Al Gore's film, "An Inconvenient Truth", the Stern Report (2006) from Britain on the economics of climate change and the latest reports from the Intergovernmental Panel on Climate Change (www.IPCC.ch) appear to have created a tipping point in

business, government, and public interest in and support for sustainability, not limited to measures to mitigate greenhouse gas emissions.

In 2003, the New Zealand Government published its policy on sustainable development (DPMC, 2003), stating that "sustainable development must be at the core of all government policy" (p. 10). In 2006, the Labour Party reiterated and strengthened its resolve on sustainable development, suggesting New Zealand "aim to be the first country which is truly sustainable" (Clark, 2006).

Because of the key role of the economic sector in sustainable development, firms are under pressure to take a responsible approach to their social and environmental impacts (Eccles, Herz, Keegan & Phillips, 2001; Elkington, 1998; Shrivastava & Hart, 1995). Failure to do so requires governments to take regulatory action to mitigate environmental harm (Heath, 1997; Roper, 2002; Roper, 2005), a situation which is typically resisted by business in favour of voluntary action.

In February 2007 a *NZ Management/ShapeNZ* business poll of 190 business decision makers showed that sustainability was

¹ For journal articles related to the first survey see Collins, E., Lawrence, S., & Pavlovich, K., and Ryan, C. (2007). Business Networks and the Uptake of Sustainability Practices in Small and Medium-Sized Enterprises: The Case of New Zealand. *Journal of Cleaner Production*, 15(8&9), 729-740 and Lawrence, S., Collins, E., Pavlovich, K., & Murugesu, A. (2006). Sustainability practices of SMEs: The case of NZ. *Business Strategy and the Environment*, 15(4), 242-257.

accepted as a mainstream business philosophy and that it could lead to increasing our competitiveness internationally. This suggests a large shift toward planning for the long term benefits of sustainable business practices.

As the *NZ Management/ShapeNZ* survey highlights, adoption of programmes of sustainability or social responsibility today goes further than maintaining organisational legitimacy - it can in fact provide a competitive edge for those seen to adopt them (Shrivastava & Hart, 1995). The number of businesses producing, for example, 'triple bottom line' reports (Elkington, 1999; 2001) continues to grow, as does interest in organisations such as New Zealand's Sustainable Business Network and the New Zealand Business Council for Sustainable Development. As public demand and organisational interest in sustainability issues develop, how are organisational practices in New Zealand keeping up?

Research in Sustainable Business

RECENT international and national research reports support the views expressed above that both demand for and interest in business sustainability is growing. A Business Week report, "Beyond the Green Corporation" (January 29, 2007), noted a shift in both practice and attitudes from big corporations regarding sustainability reports. They were reported to have moved from a concern with corporate image to a far greater understanding that there is a strategic advantage in improving

both social and environmental practices. However, a survey by BT Financial showed that in early 2006, New Zealand's top companies lagged behind their international counterparts in reporting their sustainability performance. Similarly, a KPMG survey found that 67% of companies internationally reported their greenhouse gas emissions, compared with only 24% in New Zealand (Daniels, 2006).

Consumers are increasingly demanding action on sustainability issues from business and government. A 2007 Moxie Design Group commissioned survey reported significant growth in consumer concern for action to mitigate greenhouse gas emissions and stop deforestation. Forty per cent of the respondents expressed concern about what corporations are doing in the name of making a profit. In a Business Council ShapeNZ online survey of 3088 respondents, 7 out of 10 said a company's environmental performance had a significant impact on whether or not they would buy their products.

Clearly, much is being expected of business. The question remains: Are they delivering? A Landcare Research survey of the food and beverage sector (Stancu & Smith, 2007) suggests that this group, at least, are not yet thinking about sustainability in terms of long term advantages. Are those groups which are, reportedly, changing their thinking actually changing their practices? If not, why not? What are the barriers to business sustainability in New Zealand? These are the questions we answer with this research.

Method

OUR key research question was: **What is the nature and extent of business adoption of sustainability practices in New Zealand?** In addition, the research details:

- Changes/trends in sustainability practices from 2003 to 2006;
- The role of networks such as the SBN;
- Reporting of sustainability practices;
- Drivers (internal and external) to adoption of sustainability practices;
- Barriers to adopting sustainability practices, and;
- Businesses' perception of the importance of sustainability issues in the future.

To answer the research questions, we used quantitative and qualitative methods. The longitudinal method was used and our 2003 respondents re-surveyed. Because of the natural attrition rate of longitudinal research, we surveyed additional companies, but kept the data separate. The survey instrument (see Appendix 1) covered not only the social and environmental practices that firms engaged in, but also the motivations and constraints on such engagement. The survey was kept as simple as possible, avoiding any technical jargon.

The simplicity of the survey kept our response rate high, but we found after 2003 that we wanted to add more depth to the initial tick-box responses. In 2004/05 we held a series of

interviews and focus groups across the country with a random sample of survey respondents. What follows are the details of both methods; the second national survey and the focus groups/interviews.

The 2006 survey had a dual purpose. First, was to give a global comparison of the practices of businesses in New Zealand in order to report on significant changes. The results for 2003 were to be used as a benchmark for comparison with later years. As in 2003, the survey instrument was posted to all the members of the SBN plus a sample of non-SBN members from the Kompas database to enable a comparison of the two. In total 1,710 questionnaires were mailed in October 2006.

Additionally, from the 2006 survey it would be possible to report on the practices of a longitudinal group – those firms who responded in both 2003 and 2006. Almost half (48%) of the participants in 2006 had responded to the 2003 survey.

The response rate was similar in both surveys. The number of questionnaires returned in 2006 was 519, a response rate of 30%, compared with 34% in 2003. Of the 519 responses received, 258 were new respondents and 261 were the longitudinal group. However, the final longitudinal sample that could be analysed only had a usable sample size of n=245 as 16 of the longitudinal companies failed to respond to the

survey in 2003 and therefore could not be included².

The data from respondents would enable comparisons of the longitudinal group with newcomers. However, using the chi square test (a test of whether two or more categories are associated), we found our longitudinal sample was significantly different compared to the new respondents (see Appendix 2).

From our experience with the 2003 survey, we hypothesized that the reason might be because of the differences in firm size in the longitudinal group compared to the newcomers. However, the sample sizes for each group were comparable. In the longitudinal (usable sample) n=245 there were: 34% small firms, 43% medium firms and 20% large firms (the remaining 3% did not respond with the size of their company). In the rest of the 2006 sample (which is any new firms added), n=258 there were: 36% small firms, 36% medium firms and 24% large firms (the remaining 4% of firms did not indicate the size of their company).

The one difference between the two groups that might be significant was the longitudinal sample had a lower proportion of SBN members (13%) compared with the newcomers to the survey (53%). The reason for such a response is unknown, but it may have implications for the interpretation of the global results (longitudinal plus new respondents in 2006).

Limitations of the survey include the fact that the survey was a self-assessment instrument, meaning the respondents answered based on their perceptions, with no external audit or check on the validity or reliability of the answers. In addition, the number of employees was used as a proxy for firm size. Number of employees is just one measure of firm size, for example, a firm of only five people could have significant revenue turnover.

To summarise, this report details the global responses from 2006 (longitudinal and newcomers, n=519) and makes comparisons with the 2003 survey. However, it must be noted that comparison of the two groups (2003 and 2006) cannot be truly regarded as longitudinal as there are participants in the 2003 survey that were not included in the 2006 and vice versa. Therefore, we are unable to state conclusions about the differences in performance of the 2003 companies in 2006, but we are able to report generally on the trends of sustainability practices of New Zealand business and compare 2003 with 2006. This, combined with the results of our focus groups and interviews, detailed below, provide an in-depth picture of the uptake of sustainability practices by New Zealand business.

² Any company that received the survey twice (2003 and 2006) was classified as longitudinal. There were 16 companies that completed the survey in only 1 of the 2 years and therefore they could not be included even though they had completed their company information in one or both of the years. They completed the company section in 2003 but not the actual survey questions 1-10. Or they completed the survey in 2003, but in 2006 only filled in the company section.

Insights at a micro-level required a qualitative research approach. From November 2004 to April 2005 we held a series of interviews and focus groups across the country with a random sample of a total of 30 survey respondents. In most cases the company's managing director or CEO participated. The focus groups and semi-structured interviews were designed to discuss the survey instrument and gain a deeper understanding of sustainability practices and concepts.

The purpose of focus group research is to provide an opportunity to gather more in-depth qualitative data than can be attained through the use of surveys (Stewart & Shamdasani, 1990). Also we wanted to determine if we had left off anything from the tick-box list. Were there common practices either socially or environmentally that we had not included?

The following sections present detailed results from the quantitative and qualitative research methods used.

Overview of Environmental Practices

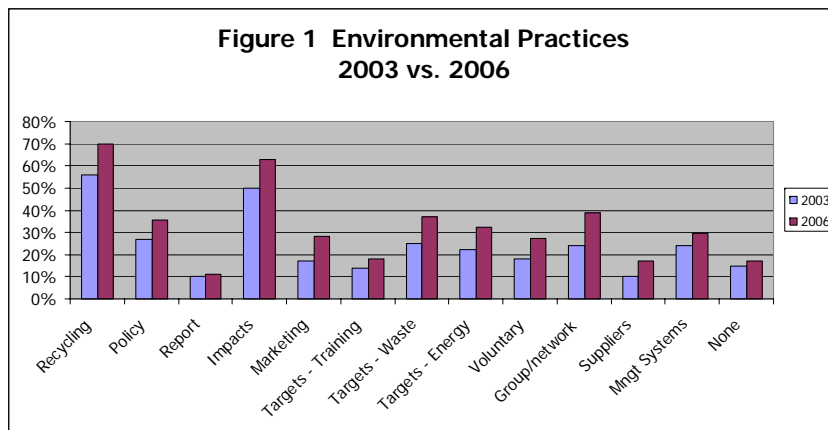
When talking to Managing Directors and CEOs about the environmental and social practices of their organisations, many emphasised that these questions had to be considered against a backdrop of fundamental changes in the workplace. One focus group participant summed it up in the following way:

I think that we're currently at the end of the 19th century notion of what constitutes work. More of us go to work, and we don't actually make things or touch things. What constitutes work in a place like New Zealand which is highly developed? We are moving away from industrial processes, so if you ask the question within the framework of traditional understanding of what constitutes work, the answer will be yes, but meaningless. The real question is what is work becoming, that is emergent. And it does seem to me that if work is not separate from how you live your daily life, then it will have to accommodate and integrate daily life. So you won't leave life to go to work.

As shown in Figure 1, the companies surveyed in 2006 showed an increase in the uptake of environmental activities compared to the companies surveyed in 2003. We found an average increase of 10% in the number of companies adopting environmental practices. The most common environmental practice (70% of firms surveyed) continues to be recycling programmes. As we noted in 2003, this is not only an environmentally friendly practice, but makes good economic sense so the high participation rate is not surprising. Results from the focus groups show that paper was most commonly recycled.

As popular a practice as this was, many focus groups participants cited frustrations and barriers with recycling and wanted to be able to do more. Some of the obstacles were internal:

We tried a few things but came up against a few obstacles like cans and things, people putting them in the wrong bins, it became quite difficult, so you really need to get a cultural buy-in I think to the whole process, and have a management system around it to make it work properly.



More often, participants cited external barriers. Getting a recycling service and one that was affordable was the most common barrier cited by focus group participants. Plastics

were most commonly mentioned as something businesses found difficult to find a recycling service to accommodate. For example, a large company wanted the ability to employ a national firm to handle all of their recycling, but such a firm does not exist so they had to cobble together services and in some areas were not able to find any services.

Other businesses were having difficulty just getting paper sorted. One focus group participant described the problem of several small businesses sharing the same building, but unable to leverage their cumulative size to institute effective recycling.

If there was an accessible service for which we could pay a modest fee, we would pay. I'm sure the other businesses in the building have the same set of values as we have, just from my conversations with them about paper recycling. But, no single one of us has been able to organise something that would work for all of us.

The next most common environmental practice (63%, an increase of 13% from 2003) was companies considering the environmental impacts of their products, processes and/or services. Focus groups participants highlighted consideration of future risks and access to markets. One participant put it this way:

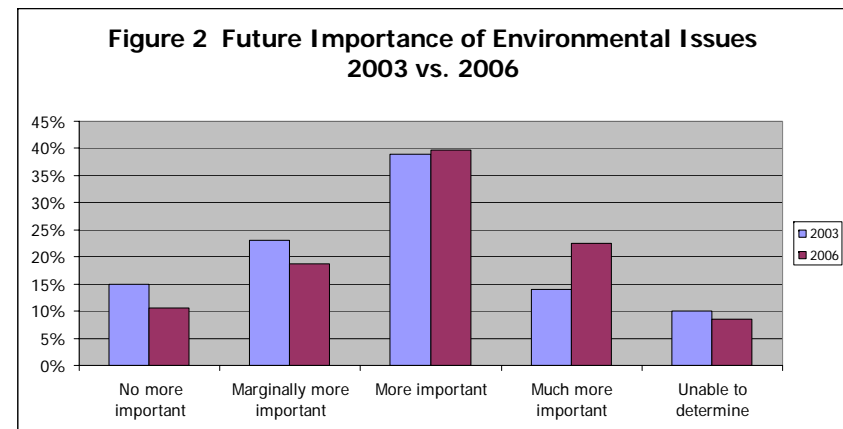
The only reason that it's commercially viable now is because you're not actually costing in the effects of the impacts of the damage to the environment that you're doing. And if you did that, you wouldn't have a return, so if you start comparing the two systems, you're not actually comparing apples with apples. You're damaging the environment and getting no charge for it. So, I don't know if I subscribe to that view or not to be honest, but that's part of the overall argument. And yes, part of the argument is continued access to markets.

An example would be the increased international interest in food miles or carbon accounting. These environmentally-related issues were not yet having a significant impact on most New Zealand companies, but many companies see this as a future issue and want to have a strategy to address it now.

One of the key reasons we went to companies individually to query their sustainability practices was that New Zealand companies do not produce sustainability reports, lagging behind the international trend (Milne, Owen & Tilt, 2001). Eighty percent of companies issued some type of sustainability report in Japan, in the United Kingdom the figure is 71% (KPMG, 2005), but in our survey we found that only 11% of New Zealand companies report. At least one focus group participant thought that this would change:

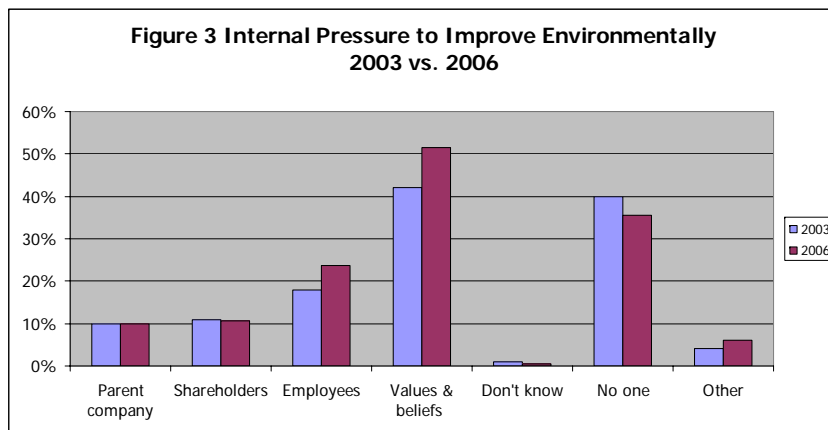
Two years ago we did our first triple bottom line report. In there we tried to come up with some measures moving forward. And we feel that in time our clients are going to be wanting to see how we're going sustainably and part of that is environmentally how we're performing, doing our bit. There is probably a bit of pressure, whilst it's not too obvious at the moment, I think it will come in time, that's our feeling.

In 2003, 53% of respondents believed that environmental issues would become more important or much more important in the next five years. Figure 2 shows the results from companies surveyed in 2006 was an increase to 62%.



One focus group participant stated:

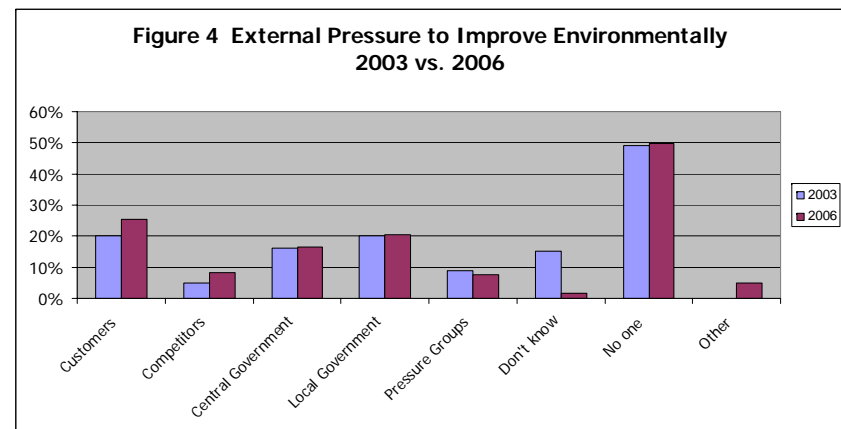
I think there is little doubt that it will become more important because whether it's the Kyoto Protocol or other government driven policy initiatives, the commercial realities of things like rising fuel and energy prices generally, those are pretty direct drivers for business. And then there's the brand aspect that, if there is a move to see brand value, brand equity, you see this environmentally or socially sustainable.



One of the surprising findings from the 2003 survey was that most businesses felt no internal or external pressure to adopt environmental or social practices. As figures 3 and 4 graphically illustrate, companies surveyed in 2006 also did not feel pressure to adopt sustainability practices. This was again

surprising in light of the significant increase in media and government attention to sustainability issues. In addition, our results are contradictory to the 2007 Moxie survey cited above where 40% of consumers stated concern with the practices of business. Either consumers are not expressing that concern with their wallets and purchasing products they deem sustainable, or businesses have not yet got the message from consumers.

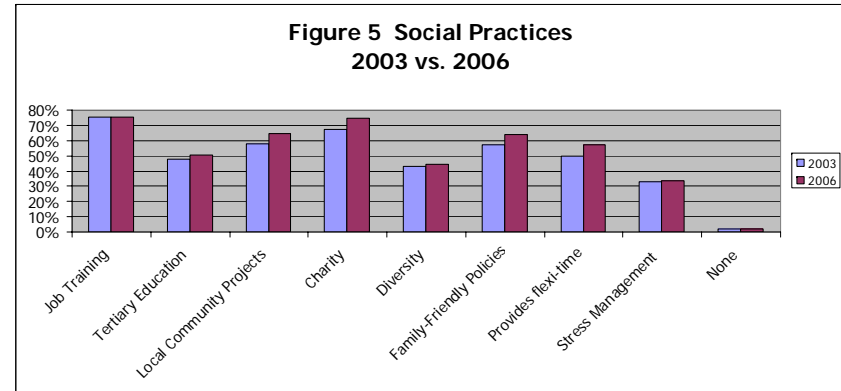
The results were also in contrast to participants' views of the future importance of environmental issues and the representative quotes above about an expected increase in pressure. New Zealand firms were not currently feeling pressure, but they expect to in the next five years. Three years ago, the situation was the same.



Another surprise in the 2003 survey was the discovery that main drivers for adoption of sustainability practices were the personal values, beliefs and/or commitments of management. This response was one of the few to increase in 2006. In 2003 42% of companies said values and beliefs were a driver, as shown in Figure 3; 52% of companies surveyed in 2006 cited this as a driver.

The increasing attention to sustainability issues seems to be taken on board at a personal level and then used to inspire organisational change. A common theme in the environmental and sustainability literature is the importance of champions to inspire and sustain organisational change. However, the literature tends to portray these champions as rare, as an explanation for why some companies act as a first mover in proactive environmental strategies (González-Benito & González-Benito, 2006; Winn, 1995). The 2006 survey results show that as more information becomes available, more organisational champions are being created, broadening the realm of proactive environmental strategies beyond first movers.

Overview of Social Practices



ALTHOUGH sustainability is often associated with environmental issues, social practices are a key element. Social sustainability includes how a company treats its employees and how it treats its community. We noted in the 2003 survey that New Zealand businesses were more engaged in social activities than in environmental activities and that is still true in 2006. For example, 17% of businesses surveyed in 2006 had instituted no environmental practices, but only 2% of companies had instituted no social practices. However the increase in social practices from 2003 to 2006 was less than for environmental practices.

The biggest increase was in companies contributing to charity, an increase of 8%, to 75% of companies. What we learned

from the focus groups was that companies struggled to manage the numerous, competing demands for charitable contributions. The most common strategy, especially for small and medium-sized businesses, was to pick one or two charities and stick with them every year.

We decided after wasting hours on callers, that we would pick two and we have done those for seven years.

It's remarkable actually, because at one stage earlier this year, I was getting probably a call a week from different organisations....

Many companies are quite strategic in their giving.

And it's not in terms of giving money at all. It's more about how we can add value and use our skills to help them, and get some benefit for us.

We've given technology and expertise, we tend not to give money. From a business perspective it's about broadening the brand beyond the normal business community into the wider community.

Family-friendly policies and flexi-time both went up 7%, to 64% and 57% respectively. We found from our focus groups that flexi-time was actually the most frequent family-friendly

policy. We also found a common policy was the option to buy more leave.

There's no timekeeping in terms of you're clocked in and clocked out. If you've got kids you've got to take to the doctor or whatever, you go and do it. It's between you and your manager, and make sure that the hours kind of even out somewhere along the line. And if that's two o'clock in the afternoon or eleven o'clock in the morning, it's not a big deal. We also have leave policies, where you can buy more leave if you want to.

The option for people who are management specialists is to buy up to another four weeks leave a year. At this point in their career they value the time away from work more than the money.

The comment from the above focus group participant raises another point. Increasingly, companies are trying to ensure their employees have a healthy work/life balance and are experimenting with a number of initiatives. Some companies discouraged overtime, other companies did not allow employees to take a laptop home or get an external connection to e-mail. One organisation took a more assertive approach:

We've actually just re-instigated timesheets for a lot of our workers to try to force people to take that flexi-

time. So yes we can do a whole lot of hours during the day, but actually make sure you take it off at some stage as well.

Our focus group participants stated that the biggest factor for instituting, not only family-friendly policies, but adopting social practices generally was the incredible competition for staff in today's economy.

In the current environment, it is a lot easier for staff to negotiate more flexible working situations. And there's competition now to retain quality staff. At times in the past,about 1984, I put an ad in the paper for an Administrative Assistant, basically like an Office Administrator, and I got 260 phone calls. I ended up interviewing about 20 people and they were all suitable. Whereas now, if you can find someone that's going to do that job for you, you just take them. And so, the dynamics have changed. So the staff that I've got, I'm very aware of making sure that they're happy by having a good life, otherwise they'll leave.

Besides giving to charity, the most common social practice was job training, at 75%. This response represented no change from 2003, but because it was such a common practice we were keen to find out in our focus groups what managers meant when they ticked that box. Managers told us it made good business sense to continually up-skill employees and it

provided greater job satisfaction. Training included giving employees the skills to do their job, such as how to operate a piece of machinery or a computer graphic system, and also more broadly included giving employees information on company initiatives such as sustainability.

We recognise sustainability is a very hard concept for people to get their head around, and because we launched it with the recycling programme, people automatically associated it with waste, so we are trying to get them to move away from that. We're actually developing an E-learning package. It's not going to be assessed or anything like that, but they can go on it on their own to learn more about what sustainability is. We recognise that we need to try to modify by educating everyone a lot more, and its not just our staff, its actually everyone that we work with as well, so its our cleaners, our suppliers, educating them on what it all means.

Because we haven't got career progression as such, that is readily identifiable within the organisation, so it is part of ensuring job satisfaction as well as improving performance. And we've taken quite a wide interpretation of it, not just going off to a day long seminar on negotiation skills, but it's been all sorts of things, including short term secondments, or research based activities, that are actually specific to the skills

required for that job, enabling them to take their job deeper.

In 2006, 50% of companies surveyed provided assistance with tertiary education. We found out in our focus groups that that meant companies paying for education if it was job-related. Some companies paid for an entire degree, while others paid for a percentage of courses that were directly job-related. In addition, some companies provided paid leave to employees to attend university courses, while others allowed for unpaid leave to be taken to complete a degree.

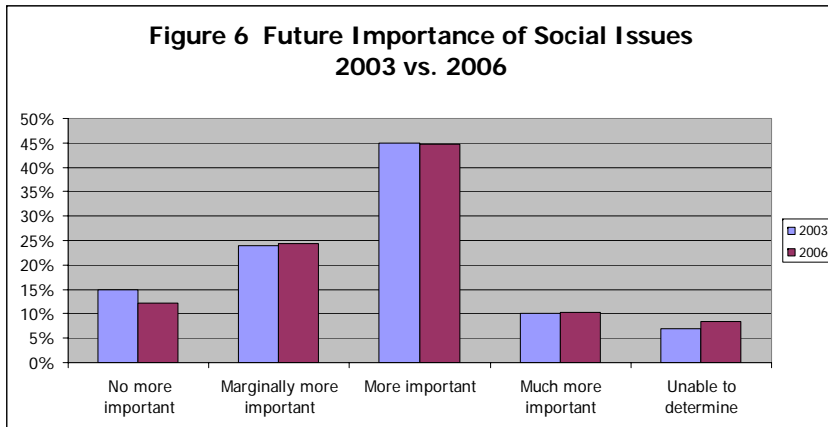
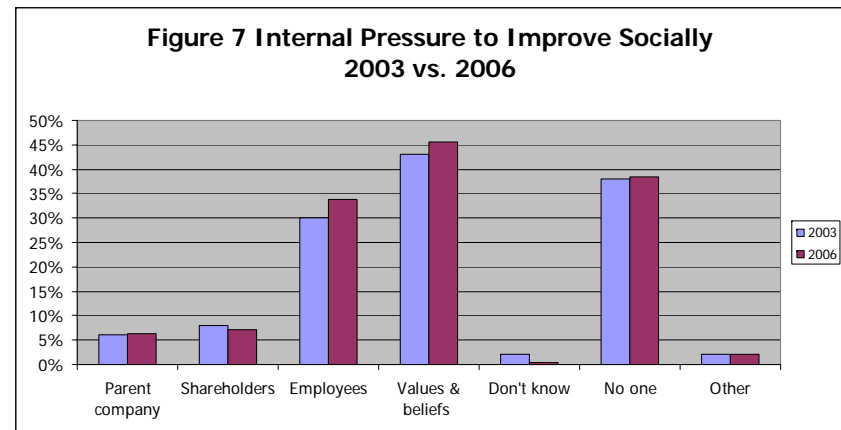
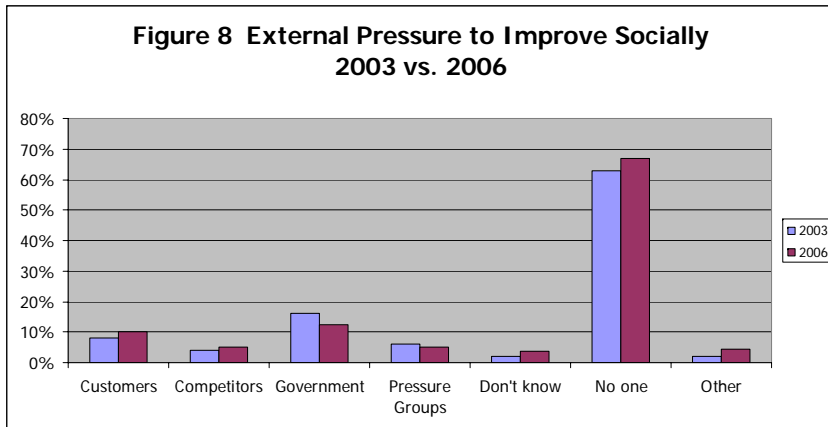


Figure 6 shows that there was not much change from 2003 in companies' perception of the future importance of social issues, which was perhaps why there was not as great an

increase in social activities compared to environmental activities. Fifty-five percent of firms surveyed in 2006 thought social issues would be more important or much more important in the next five years. This contrasts with environmental issues where that figure was 62%.





Figures 7 and 8 illustrate that similarly to environmental issues, companies were not feeling much internal or external pressure to adopt social practices. An overwhelming 67% of firms surveyed cited no external pressure to adopt social initiatives. Once again, significant drivers were the values and beliefs of management at 46% of 2006 respondents.

For social issues, 34% of companies cited pressure from employees, unlike environmental issues where pressure from employees was cited by only 24% of the companies. This could indicate that the low unemployment rate in New Zealand means employees have more negotiating power. Or, from the employer perspective, that social practices, more than environmental practices, were perceived as employee

recruitment and retention strategies as evidenced in comments from our focus groups.

The new generation coming through, their expectations are so different to my generation. They want the flexibility to go on and do their study, and do other things as well. They've got quite different values to the values that we had when we entered the workforce. So they're demanding flexibility.

...Employees see it as important - do interesting work on a reasonable salary, but actually what's more important is a good working environment. Work you're doing in the environment that you're working in, tends to be the two key drivers and what you pay people ends up about fourth or fifth on the list. But those two tend to be why people want to stay and join and they'll stay with the organisation at the end of the day.

One of the objectives of the survey was to determine the barriers to companies in adopting environmental and social practices.

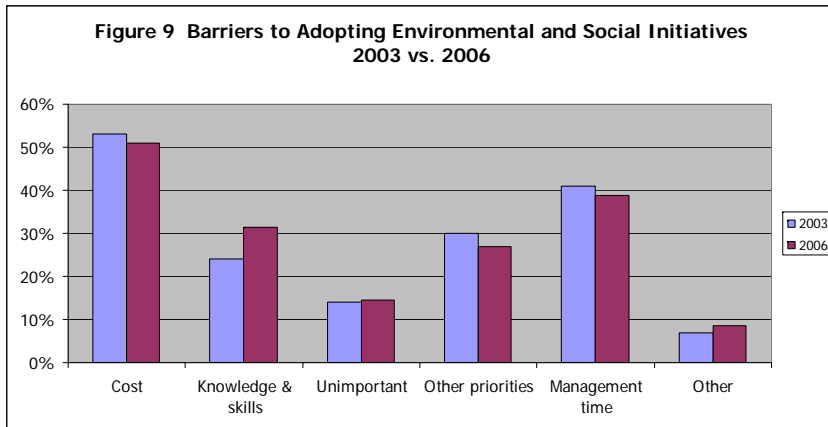


Figure 9 shows that cost (51%), management time (39%) and knowledge and skills (31%) were cited as the three top barriers in 2006.

It's the problem of when you've got the no cost things you can do recycling and energy conservation, but it's when you get to large cost things like investing in a new way of treating waste water, and the economic thing puts your cost of production up, but if other competitors aren't doing that, it's a very strong economic reason not to invest in it, because you're putting yourself at a competitive disadvantage to other people in your industry.

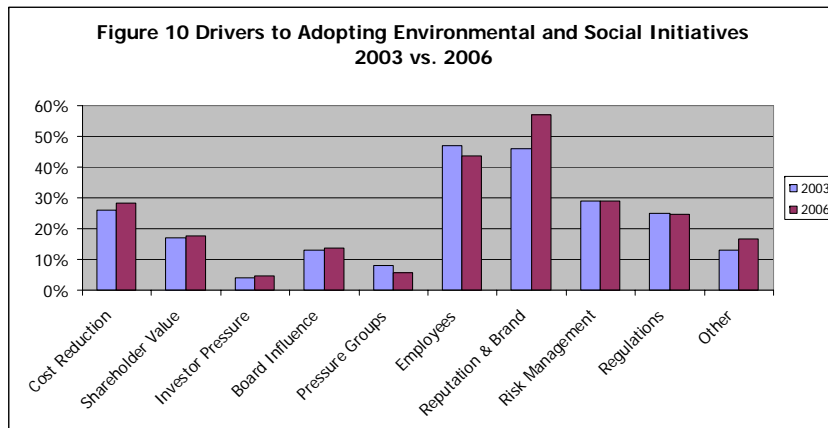
Interestingly, in the interviews and focus groups, knowledge and skills were discussed more than costs as a barrier. The survey showed a 7% increase of firms citing this barrier from 24% in 2003 to 31% in 2006, statistically significant using chi square ($\chi^2 = 8.42$, $p = 0.004$). A common theme from the focus groups was that as more information becomes available about sustainability, it becomes apparent to managers how much more they need to know. Also, as managers became interested in the issues and wanted to start adopting initiatives, they found they often did not know how to start.

I think the barrier is actually finding the data yourself in the first place within your company. Like reducing waste, if you are a national company you're not likely to have just one waste contractor, and what type of data do they provide so can you actually get that nationwide figure. That's really hard, and though it might seem really easy, it's actually really, really hard to get. You know where to get it from but it's the physical nature of getting and actually having someone's resources to do that, get that information, compile it, and then be able to report on that and show your measures, that's the hard thing.

The information is a problem too because it's like...what would be nice is like in Australia they've got...on cleaner production, they've got a Government run database which is really, really good. Say the

automotive trade, you can select a thing like panelbeating, and you select down this information on high efficiency spray guns, different types of paint to use. And yes, some type of centralised database like that. Because it's part of the problem, people have good intentions but getting information on what to do is difficult.

I think guidelines could be quite useful, and success stories about what people are doing, how it's working well for them. Particularly the sort of case studies on different areas of industry so people who might have an idea that they want to do something, can actually look at case studies giving clear examples of what can be done and how to do it.



Although the survey questions that related to internal and external pressure highlighted some of the drivers for companies to adopt sustainability initiatives, question 10 posed the query a bit differently to capture not just reactive measures, but proactive measures as well. We asked, "What factors have influenced you to implement environmental and/or socially-related activities?" Figure 10 shows that the overwhelming drivers were reputation and brand. Fifty-seven percent of companies surveyed in 2006 cited reputation and brand as a driver compared to 46% of companies surveyed in 2003. Not only was reputation and brand a key driver, but the trend seems to be increasing.

Well I think it's a commercial thing, so whether it's right down the supply chain or whether its around brand equity and value for your customers or whether its just a straight out cost savings efficiency gains, be it energy, raw materials.

In summary, comparing the results of companies surveyed in 2003 with those surveyed in 2006, we found that New Zealand businesses were still more heavily engaged in social than environmental practices with job training (75%) and giving to charity (75%) the most common practices. According to managers, staff recruitment and retention were big drivers for instituting social initiatives. Environmentally, the number of firms with recycling programmes increased significantly since 2003 (from 56% to 70%) and more companies (63%) were

considering the environmental impacts of their products, processes and/or services.

A majority of companies surveyed thought both social and environmental issues would become more important or much more important in the next five years. Similarly to 2003, companies were not feeling high levels of internal or external pressure to adopt environmental and social initiatives. Personal values, beliefs and/or commitments of management were overwhelmingly the key drivers for companies.

Cost (51%), management time (39%) and knowledge and skills (31%) were cited as the top three barriers to adopting sustainability practices. These results were consistent with 2003, with an increase of 7% of firms citing knowledge and skills as a barrier. At the same time, along with values and beliefs, reputation and brand were the key drivers for adoption of sustainability practices (57% in 2006 compared to 47% in 2003).

Comparisons of various categories SBN/Non-SBN

IN ADDITION to analysing trends in the uptake of sustainability practices between 2003 and 2006, we examined differences among various categories. The following sections examine differences in sustainability practices between SBN

and non-SBN members, and differences between small, medium and large companies.

One of the objectives of the survey was to compare the practices of firms who were members of the Sustainable Business Network (SBN) with non-members. Of course, non-members may belong to other networks supporting socially responsible activities, such as the New Zealand Business Council for Sustainable Development. A total of 33% of respondents in 2006 were SBN members.

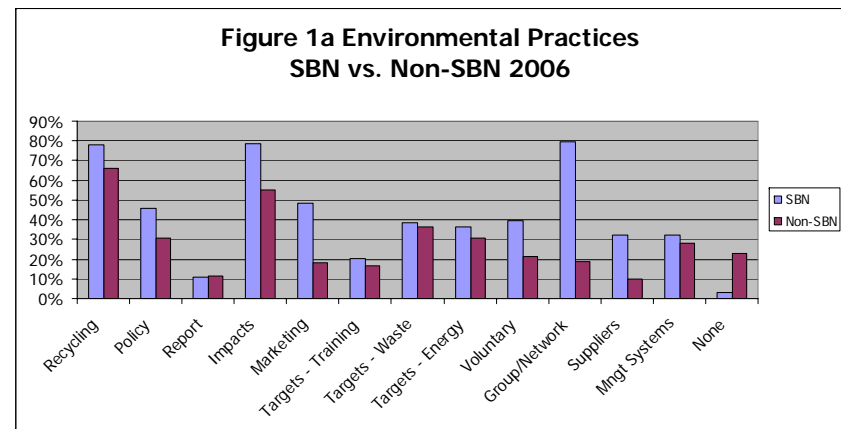


Figure 1a shows that for most environmental practices, SBN members were more active than non-members and that only 3% of SBN members had no environmental practices compared to 23% for non-members. Significant differences

were also apparent in implementation of recycling programmes (78% vs. 66%) and consideration of environmental impacts of products and services (79% vs. 55%). This could possibly be due to another significant difference between members and non-members; 49% of SBN members had marketing or image based on environmental claims, while only 18% of non-members did.

There were differences between SBN members surveyed in 2003 compared to those surveyed in 2006. In addition to having more environmental practices, SBN members had a greater increase in the uptake of those practices, particularly in relation to formalised measures. For example, there was a 15% increase (from 31% to 46%) in SBN members who had an environmental policy, a 14% increase in waste targets (from 25% to 39%), and a 15% increase in energy targets (from 21% to 36%). In addition, there was a 13% increase (from 66% to 79%) of SBN members who considered environmental impacts and a 19% increase (30% to 49%) of those who marketed based on environmental claims.

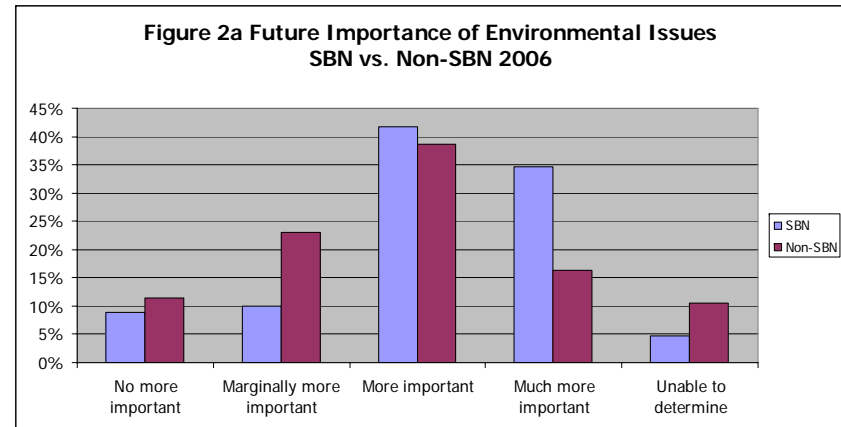
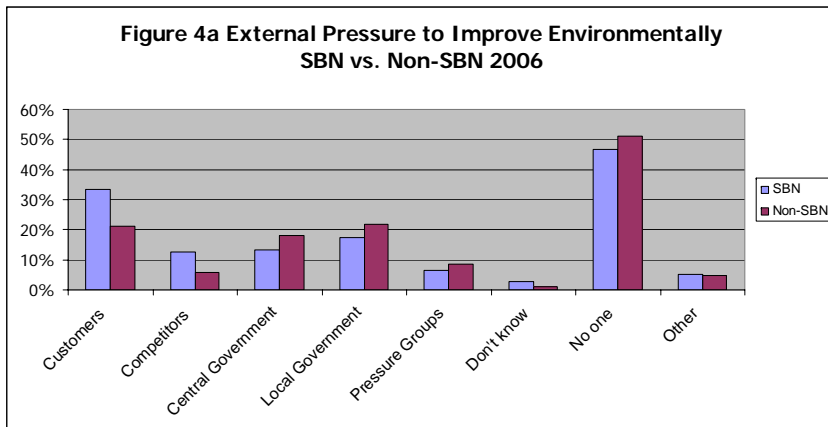
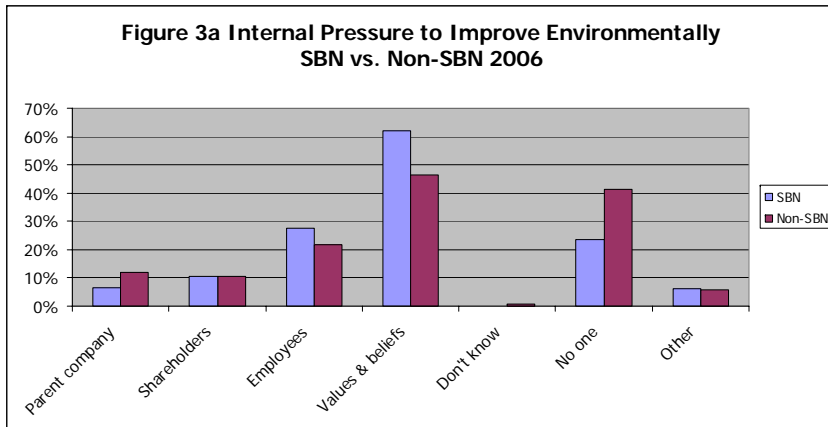
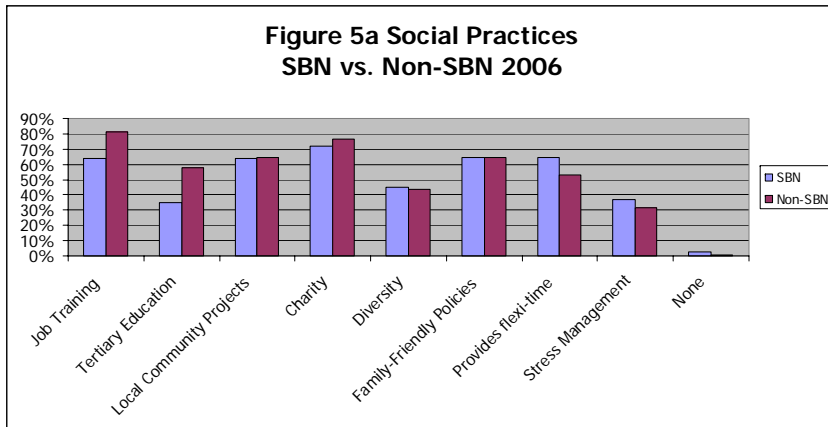


Figure 2a is consistent with the increase in environmental activity by SBN members. 77% (69% in 2003) of surveyed SBN members perceived environmental issues as more important or much more important in the next five years compared to 55% (52% in 2003) of non-members.



Figures 3a and 4a illustrate the internal and external pressures of SBN vs. non-SBN members to adopt environmental practices. There was a 15% difference between SBN members vs. non-members for the values and beliefs response, with 62% of SBN members citing it as a driver, compared to 47% of non-members. For SBN members, the 2003 figures were similar (63%), but for non-SBN members there was a 9% increase from 2003 (from 38%). Also noteworthy was the difference for the 'no one' response, with 41% of non-members in that category, but only 24% of SBN members. These figures were similar in 2003.

Externally, what jumps out on Figure 4a is the pressure from customers for SBN members at 34% (21% in 2003) compared to 21% (22% in 2003) for non-members. It was not part of the survey, but one possibility is that pressure from customers might be one reason why companies choose to join SBN. Or, that by marketing themselves as environmentally sustainable, SBN members were attracting customers who care about those issues.



In contrast to environmental practices, non-SBN members generally had a higher uptake of some of the social practices as shown in Figure 5a. One of the biggest differences related to job training where 81% of non-SBN members provide it compared to 64% of SBN members. Another difference was assistance with tertiary education, which 58% of non-SBN members provided compared to 35% of SBN members.

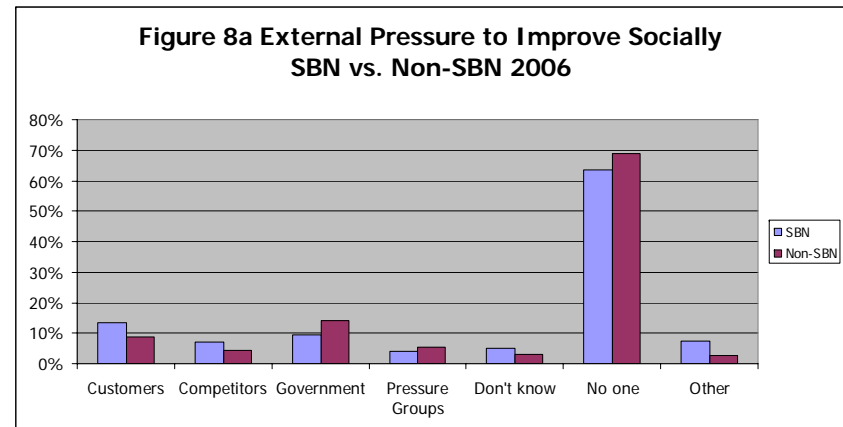
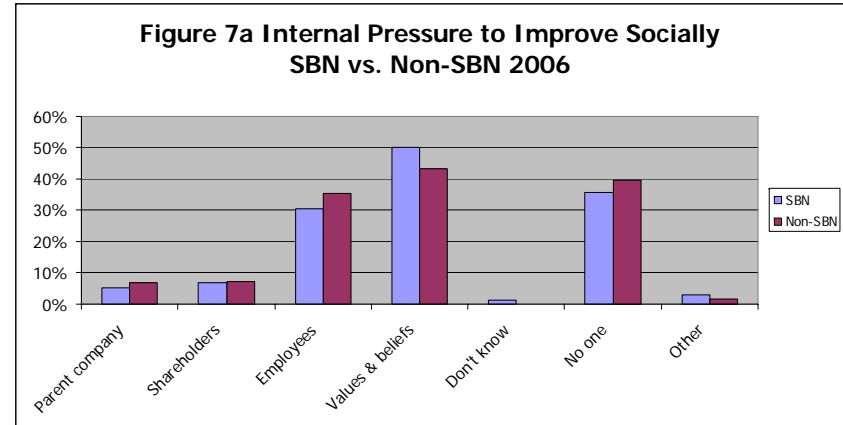
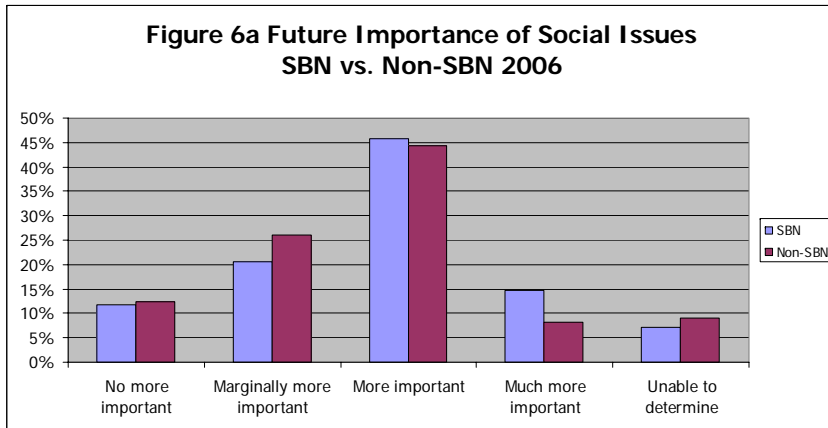
One area where SBN-members had a higher uptake was with flexi-time, which was provided by 65% of SBN members compared to 53% of non-members. Interestingly though, there was no difference in the provision of family-friendly policies and as mentioned in the previous section, focus group results showed flexi-time to be the most common family-friendly policy.

In 2003 there was no significant difference between SBN and non-SBN members in social practices. In job training, there was a 6% decrease in SBN members surveyed in 2003 (70%) compared to 2006 (64%), while for non-SBN members it increased 5%, from 75% in 2003 to 81% in 2006. Similar decreases were evident for SBN members for other social practices: tertiary education 47% in 2003, 35% in 2006; consideration of diversity in hiring 53% in 2003, 45% in 2006; family friendly policies 68% to 64% and stress management initiatives 42% to 37% in 2006. And while SBN members surveyed in 2006 decreased in social activities compared with those surveyed in 2003, for non-SBN members most social practices increased by nearly 10%.

It is unclear why there was both the difference between the two groups and the decreasing trend in the uptake of social practices for SBN members. A likely explanation relates to firm size. Firm size is discussed in the next section, but might also relate to the SBN findings. We found firm size to be the best predictor of the uptake of sustainability practices, with large firms adopting more social and environmental practices. SBN as an organisation caters to small enterprises and there were more of those in the SBN sample (105) compared to the non-SBN sample (76).

Figure 6a shows the differences between the two groups in how they perceive the future importance of social issues. The results were surprising given the contrast in social practices.

SBN members viewed social issues as more important or much more important in the next five years at 61%, but that was a decrease from 67% in 2003, compared to 52% in 2003 and 2006 for non-members.



Figures 7a and 8a show the survey findings related to internal and external pressure to adopt social practices by SBN and non-SBN firms. There were not very significant differences internally between the two groups. The biggest difference was values and beliefs of SBN members at 50% compared to 43% for non-members. There were even fewer differences between the two groups externally.

The most significant differences for SBN-members from 2003, related to a decrease in members citing values and beliefs as a driver for social practices, from 63% to 50% in 2006 and an increase in feeling pressure from no one, from 24% to 36% in 2006. Externally there was not a significant change from 2003 to 2006.

For non-SBN members there was an increase in pressure from employees to adopt social practices, from 29% in 2003 to 36% in 2006 and an increase in the 'no one' response, from 63 in 2003 to 69% in 2006.

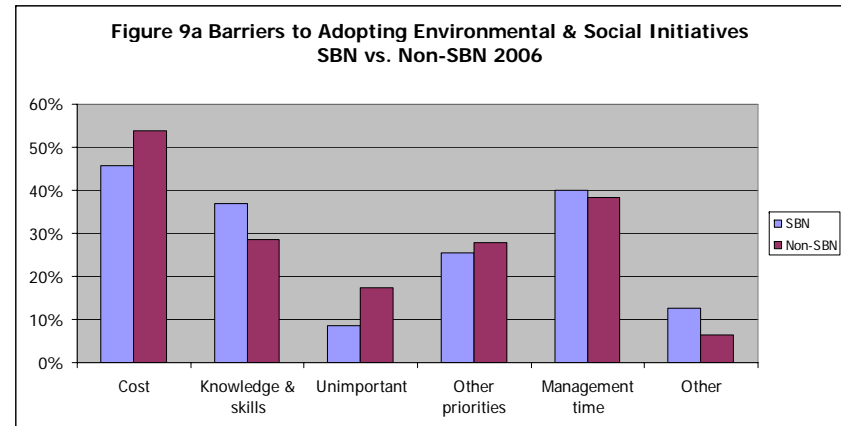
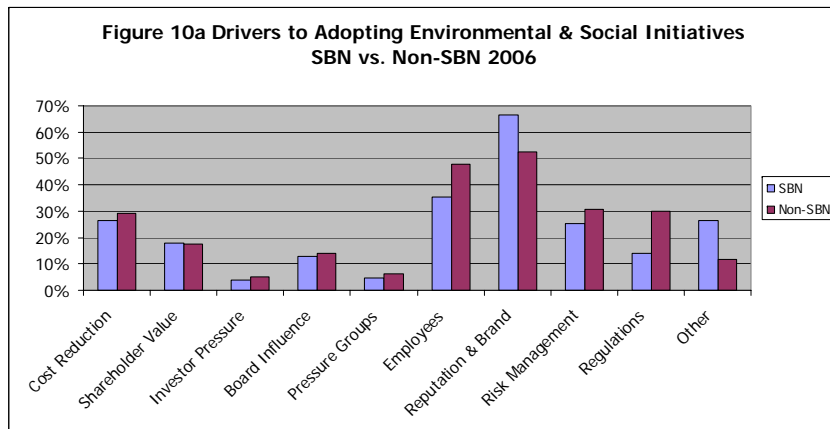


Figure 9a highlights the barriers to the adoption of environmental and social initiatives between the two groups. Non-SBN members were more likely to cite cost as a barrier 54% to 46%, however SBN members were more likely to cite knowledge and skills as a barrier, 37% to 29%. This may be another reason why they joined SBN, to gain the knowledge and skills they lack.

For SBN members, the only significant shift from 2003 was a decrease in citing management time as a barrier, 49% in 2003 to 40% in 2006. The biggest shift for non-SBN members was citing knowledge and skills as a barrier, 22% in 2003 to 29% in 2006.

As shown in Figure 10a, there were more differences between the two groups when it came to the drivers to adopt environmental and social initiatives.



The biggest difference was that only 14% of SBN members cited regulations as a driver, but 30% of non-members did. Reputation and brand was the top driver for both groups; but more for SBN members at 66% compared to non-members at 52%. The second most common driver for both groups was employees, but more non-SBN (48%) members cited it than SBN members (35%).

To conclude, SBN members had higher uptake levels of environmental practices compared to non-members, but lower levels of uptake for social practices. In fact, the 2006 survey

showed a decrease in the uptake of social practices by SBN members compared to the SBN members surveyed in 2003. The most likely explanation relates to firm size, the fact that the SBN sample had a greater number of small firms compared to the non-SBN sample.

SBN members perceived both environmental and social issues would be more important or much more important in the next five years compared to non-members. SBN members were more likely to cite values and beliefs as a factor in adopting environmental and social initiatives compared to non-members. SBN members were also more likely to cite pressure from customers to adopt more environmental practices. Differences between the two groups were significant when it came to drivers for adopting social and environmental initiatives, with non-SBN members more likely to be driven by regulations ($X^2 = 16.26, p < 0.001$) and attractiveness to employees ($X^2 = 7.60, p = 0.006$), while SBN members were more driven by reputation and brand ($X^2 = 9.44, p = 0.002$).

Comparisons of various categories Size

IN ADDITION to comparing SBN members with non-SBN members, we examined the uptake of sustainability practices by firm size. The statistics in Figure 11 are taken from a report from the Ministry of Economic Development (2003) and

show the distribution of enterprises by number of employees. Also shown is the categorisation by size used in our survey of practices. The statistics show that New Zealand's business landscape is dominated by small and medium-sized businesses (SMEs).

- 86.0% of enterprises employ 5 or fewer full time equivalent staff
- 96.8% of enterprises employ 19 or fewer full time equivalent staff.

FIGURE 11 – DISTRIBUTION OF ENTERPRISES IN NEW ZEALAND BY NUMBER OF EMPLOYEES

| FTE Size Category | No. of Enterprises | Our Categories | |
|-------------------|--------------------|----------------|-----------------------|
| 0-5 | 242,078 | small | (260,300 enterprises) |
| 6-9 | 18,255 | | |
| 10-14 | 8,286 | medium | (19,500 enterprises) |
| 15-19 | 3,756 | | |
| 20-49 | 6,090 | | |
| 50-99 | 1,536 | large | (1,337 enterprises) |
| 100+ | 1,337 | | |

For the purpose of our survey, three size categories were used: small (1-9 employees); medium (10-99 employees),

and large (more than 99 employees). Similar to our findings in 2003, we found size to be a significant predictor of the uptake in sustainability practices. Large firms had higher uptakes of both environmental and social practices and reported higher levels of internal and external pressure to adopt these practices.

There is a perception that small and medium sized enterprises (SMEs) should not be held to the same standards as large firms. SMEs are seen as having greater barriers to implementing sustainability practices (e.g. lack of expertise and capital) compared to larger firms (Ammenberg & Hjelm, 2003; Simpson, Taylor & Barker, 2003). However, while individual SMEs may have small social, environmental and financial impacts, their cumulative impact is significant. One study calculated that SMEs contributed up to 70% of all industrial pollution (Hillary, 1995).

Our focus group participants discussed the impact of firm size on sustainability practices. Consistent with the international research cited above, small firms in New Zealand did not feel they have much of an environmental or social impact.

Obviously our first goal is to make our profit at the end of this financial year. So, obviously we can't afford the same things as our larger competitors can afford.

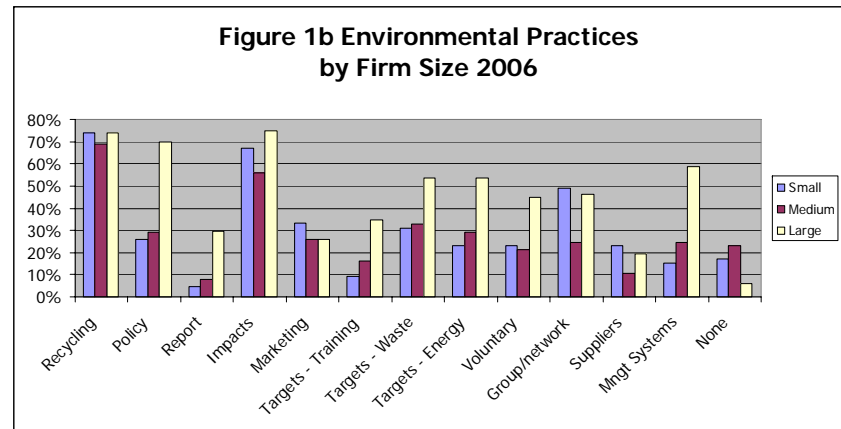
We have a very small staff, only 13 people on staff. So, whatever we do in the area of sustainability or social responsibility is certainly on a very small scale.

One focus group participant saw the effect on size in another way.

I think too, the size of organisation is a big factor. When you're a small organisation there's different things you can do as opposed to a large corporate. And still do good things, but at different levels and in different ways. So I know when we went through a smaller phase, there was a different feel a more a family atmosphere perhaps in the organisation. As it gets bigger and there's more business pressures, and also how the business is performing, if it's going well financially there's a lot less pressure to be able to do a few more of these things. Whereas if it's growth, growth, go, go, go, it's much harder, and people are more heads down, rather than doing things that they'd like perhaps to contribute in other ways.

Figure 1b illustrates the difference in the uptake of environmental practices by size. Large businesses showed significantly greater uptake in almost all environmental practices compared to small and medium-sized firms. This was particularly true for the more formalised processes, such

as having an environmental policy, reporting and management systems.



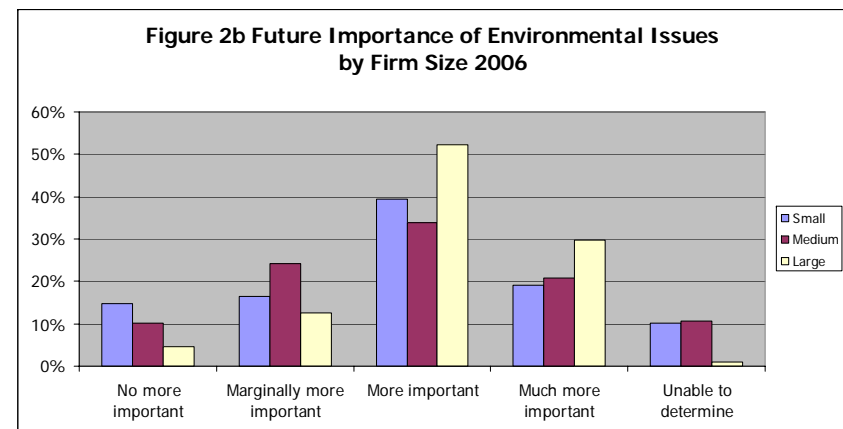
An interesting story emerges when comparing the differences according to firm size in the rate of uptake of environmental practices from companies surveyed in 2003 to those surveyed in 2006 (Table 1).

TABLE 1 – PERCENT OF CHANGE FROM 2003 TO 2006 FOR ENVIRONMENTAL PRACTICES BY FIRM SIZE

| PRACTICE | SMALL | MEDIUM | LARGE |
|--------------------|-----------|--------|-------|
| Recycling | + 19% | + 15% | + 16% |
| Policy | + 12% | + 6% | + 18% |
| Report | No change | + 3% | + 2% |
| Impacts | + 23% | + 9% | + 6% |
| Marketing | +17% | + 11% | + 2% |
| Targets – Training | + 1% | + 4% | + 11% |
| Targets – Waste | + 12% | + 9% | + 19% |
| Targets – Energy | + 10% | + 9% | + 19% |
| Voluntary | + 10% | + 9% | + 10% |
| Group/Network | + 20% | + 13% | + 6% |
| Suppliers | + 12% | + 3% | + 5% |
| Mngt Systems | + 5% | + 4% | +13% |
| None | - 4% | +7% | - 1% |

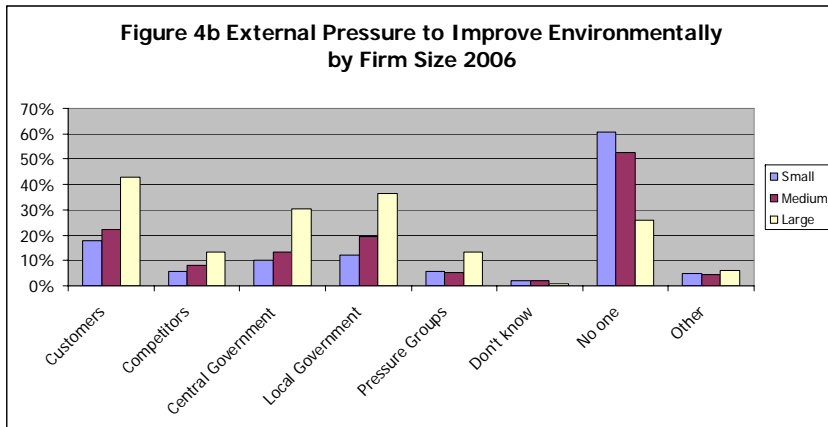
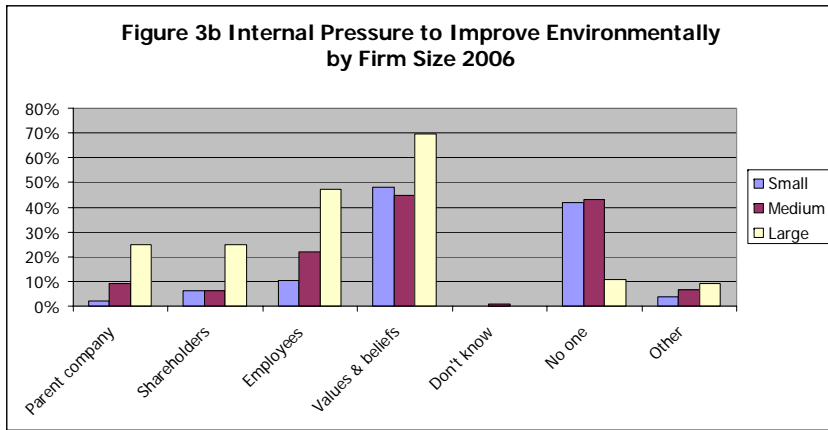
Some of the greatest increases in rates of uptake were reported for small businesses. This was particularly true for consideration of environmental impacts, joining a group or network and having a recycling programme. For all sizes, there was not much increase in environmental reporting, although we had anticipated there might be a greater increase for large firms.

As shown in Figure 2b, consistent with environmental practices, large companies overwhelmingly (82%) viewed the environment becoming more or much more important in five years, a 13% increase from 2003. Small companies had a 17% increase from 2003 with 59% of companies giving that response. For medium-sized companies, there was just a 4% increase from 2003 to 55%.

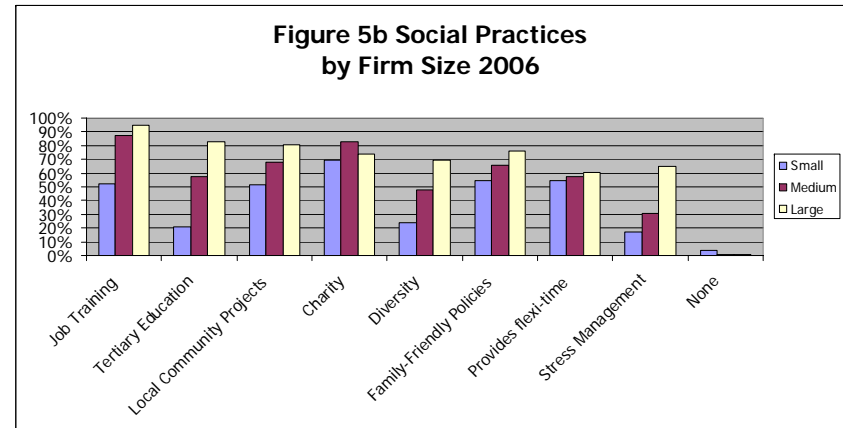


Figures 3b and 4b show the differences in internal and external pressure to adopt environmental practices by firm size. Large companies were clearly feeling the pressure more than small and medium-sized companies. It was interesting to note that the importance of values and beliefs were not limited to small companies. It was a significant driver for large firms

at 70% and had increased from 58% in 2003. Another significant factor for large firms was pressure from employees



at 47%, an increase from 37% in 2003. Externally, large firms reported receiving increased pressure from customers, from 30% in 2003 to 43% in 2006 and local government, from 29% to 37% in 2006.

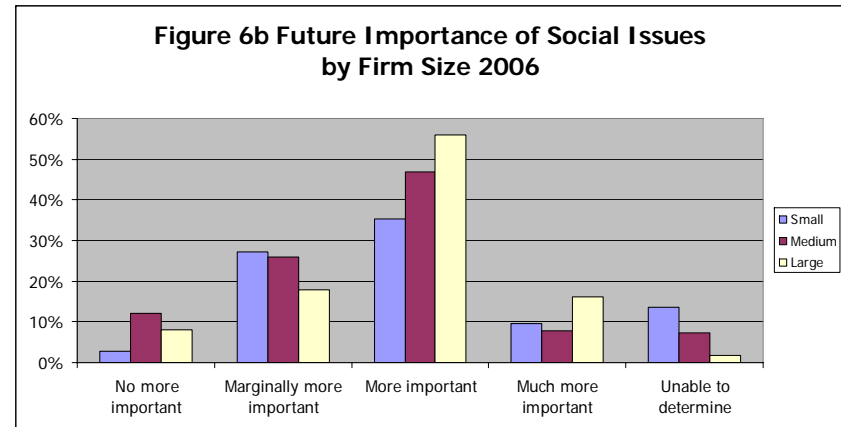


For most social practices, there seemed to be a progression in the level of uptake from small to medium to large to match firm size. Table 2 details the change by firm size from 2003 to 2006. The biggest shift from 2003 was the increase in large companies offering family-friendly policies. There was also a greater increase in the adoption of social practices by medium-sized firms especially rates of giving to charity and local community projects.

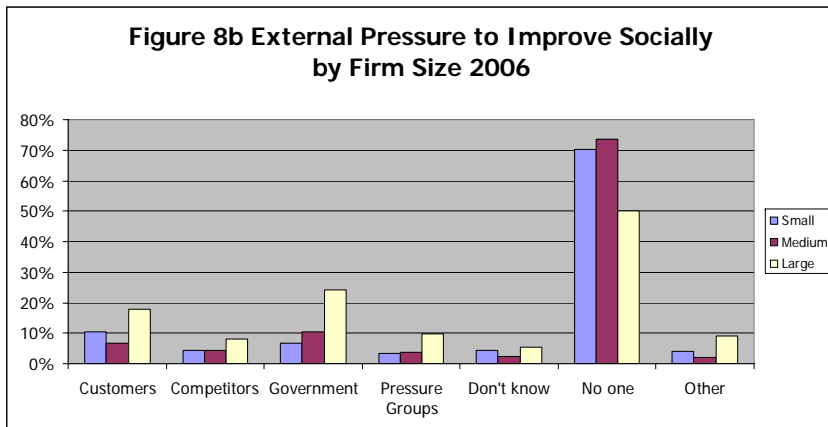
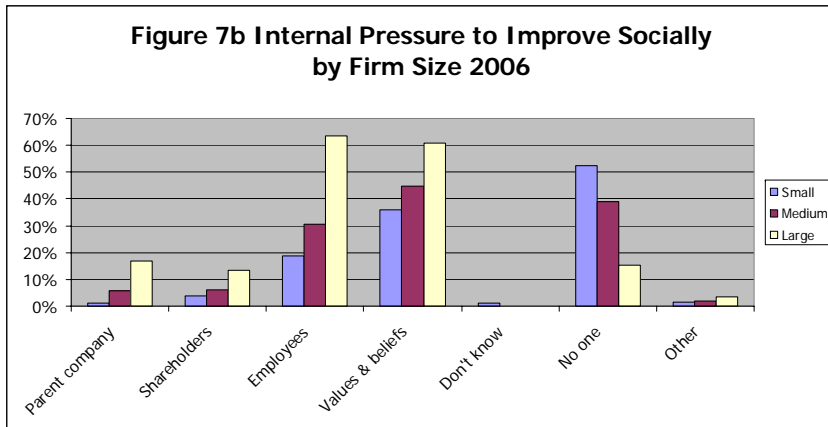
TABLE 2 – PERCENT OF CHANGE FROM 2003 TO 2006 FOR SOCIAL PRACTICES BY FIRM SIZE

| PRACTICE | SMALL | MEDIUM | LARGE |
|--------------------------|-----------|--------|-------|
| Job training | - 2% | + 3% | + 3% |
| Tertiary education | + 1% | + 6% | + 6% |
| Local community projects | + 3% | + 11% | + 5% |
| Charity | + 3% | + 13% | + 6% |
| Diversity | - 1% | + 2% | + 4% |
| Family-friendly policies | No change | + 5% | + 14% |
| Flex-time | + 2% | + 8% | + 7% |
| Stress management | + 1% | + 3% | - 4% |
| None | No change | + 1% | + 1% |

Figure 6b show the differences by firm size for how companies viewed the future importance of social issues. Unlike environmental issues, there was not a significant difference in firms' perception of social issues from 2003 to 2006.



Figures 7b and 8b compare internal and external pressure to improve socially by firm size. As with environmental practices, large firms were more conscious of pressure to improve socially. Low-levels of external pressure were reported for all firms. Internally, values and beliefs and employees were cited most often by companies, particularly large companies.



The biggest shift from 2003 was the reported increase of pressure from employees reported by small (from 10% in 2003

to 19% in 2006) and large firms (from 57% in 2003 to 63% in 2006).

Figure 9b provides interesting results in light of the discussion at the beginning of this section about small companies feeling disadvantaged in adopting environmental and social practices. We would expect small and medium-sized companies to report higher barriers, but just the opposite was true. The results were similar in 2003. There are at least two possible explanations. One is that large companies are doing more and are therefore more aware of the obstacles. A second explanation is that it is easier to implement change in a small company; the difference between changing course in a sail boat, compared to a cruise ship.

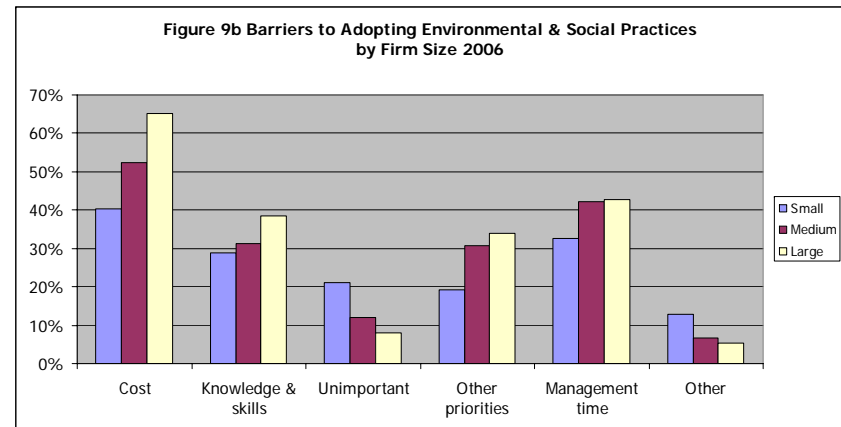
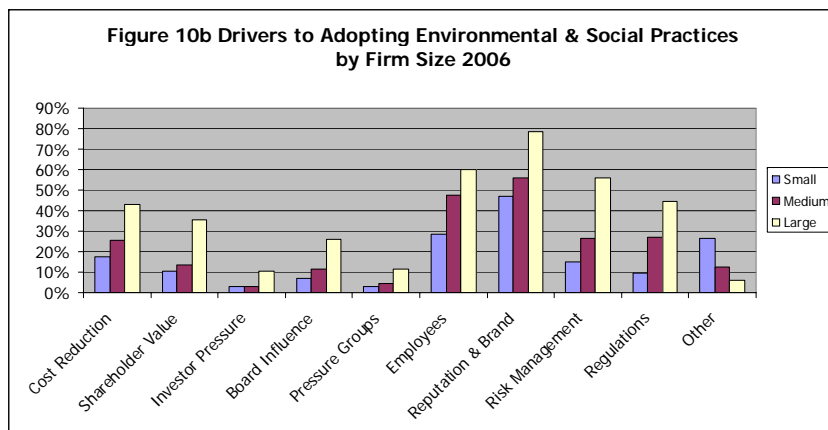


Figure 10b shows that large firms report more drivers to adopt environmental and social practices compared to small and medium-sized firms. Reputation and brand were the biggest drivers for all firms, with attractiveness to employees also important.



Shifts from 2003 include a 13% (from 30% to 43%) increase of large companies reporting cost reduction as a driver. For small and medium sized companies there was an increase by 14% and 15% respectively (33% to 47% for small and 41% to 56% for medium) of companies reporting reputation and brand as a key driver for the adoption of sustainability practices.

In summary, large companies had a greater uptake of both social and environmental practices, results consistent with our 2003 survey. These results held even though there was not a large increase in pressure perceived internally or externally. Values and beliefs were found to not just be a small business influence, with 70% of large firms citing it as a driver.

Environmentally, small businesses showed the biggest increase in activity from 2003 to 2006. Social practices mirrored company size with the smallest uptake coming from small firms.

Counter-intuitively, large firms were more likely to cite barriers than small and medium-sized companies. It could be related to the fact that large firms have more formalised processes and policies with associated costs compared to SMEs. However large firms were also more likely to cite drivers for sustainability measures including a growing awareness of cost savings that can be gained. Reputation and brand were key drivers for companies of all sizes.

Conclusion

THIS REPORT presented data related to ongoing research begun in 2003 on the nature and extent of business adoption of sustainability practices in New Zealand. Against a backdrop of increased media and government attention related to sustainability issues, we expected to see an increase in the

uptake of social and environmental practices. There was in fact, an average increase of 10% more companies adopting environmental practices, less of an increase for social practices, which nevertheless were more commonly adopted than environmental practices.

What was surprising was that the increased attention did not translate to significant increases in pressure on firms to adopt these practices. Sixty-seven percent of firms reported no pressure to adopt social practices and 50% no pressure to adopt environmental practices. Although businesses were not currently feeling pressure, many thought they would in the future. Sixty-two percent of managers responded that environmental issues would become more important or much more important in five years and 55% believed that for social issues. These figures were not dissimilar to our 2003 findings, and yet, three years later there was not a significant increase in pressure on firms to adopt these practices. Customers are not asking for it and shareholders are not demanding it and yet, there has been an increase in social and environmental practices. Why?

What we heard from managers about sustainability was that it was personal. Values and beliefs of management were the overwhelming driver, cited by 52% (10% increase from 2003) for environmental issues and 46% (3% increase from 2003) for social issues. Along with values and beliefs, reputation and

brand were the key drivers for adoption of sustainability (57% in 2006 compared to 47% in 2003).

But managers also told us of a fundamental shift in the workplace. As one focus group participant stated, "...if work is not separate from how you live your daily life, then it will have to accommodate and integrate daily life. So you won't leave life to go to work."

Costs, management time, and knowledge and skills were the three most commonly reported barriers to adoption of sustainability initiatives. Results from our focus groups in particular, showed that companies were hungry for more information related to sustainability – what can be done and how it should be done were what managers want to know.

We compared SBN members to non-SBN members and found that SBN members had a greater uptake of environmental practices, increasing from 2003, but a lower uptake of social practices, decreasing from 2003. We suspect this result relates to the larger number of small firms in the SBN sample.

Differences between the two groups were significant when it came to drivers for adopting social and environmental initiatives, with non-SBN members more likely to be driven by regulations and attractiveness to employees, while SBN members were more driven by reputation and brand, which

could be why they joined the SBN – to enhance their reputation.

Finally we compared the uptake of sustainability practices by firm size. We found that size was one of the best predictors for the uptake of sustainability practices, with more large businesses engaged in environmental and social issues. However environmentally, small businesses showed the biggest increase in activity from 2003 to 2006. Social practices reflected company size with the smallest uptake coming from small firms.

Large businesses were more likely to cite barriers to adopting sustainability practices, but at the same time also cited more

drivers for adoption. This could be because large businesses were more engaged and therefore more aware of the complexity of the issues, including advantages as well as obstacles to adoption.

It may be that we are on the cusp of social change. The line between what drives personal behaviour and what drives business behaviour seems to be blurring. We are all familiar with the concept of “taking work home;” now it appears more people are taking home to work. It will be interesting to see how things have evolved by the time we do our next survey in 2009.

Appendix 1 2006 Survey Instrument*

Company Characteristics

How many people are employed in your business full time (or full time equivalence)? _____

How long has your business been in operation? _____ years

Is your business family-owned and/or family-operated? (please fill in one circle)
 Yes No

What percentage of your business is owned by
New Zealand interests _____ %
International interests _____ %

Which best describes the geographic scale of your business? (Please fill in one circle)
 Local
 Regional
 National
 International

Which of these industry groups best describes the core activity of your business? (Please fill in one circle)
 Agriculture, Hunting, Forestry and Fishing
 Mining and Quarrying
 Manufacturing
 Electricity, Gas and Water
 Construction
 Wholesale and Retail Trade, Restaurants and Hotels
 Transport, Storage and Communication
 Finance, Property and Business Services
 Community, Social and Personal Services
 Other (please specify):

Business Financial Performance (Please use your 2001-2002 year results).
Annual sales revenue \$ _____ million

I am willing to continue with the questionnaire
 Yes (Please fill in the circle and continue with the survey)
 No (If you do not have an interest in answering any more of the survey questions, please fill in this circle and mail back the survey in the postage-paid envelope provided. Thanks!)

1. My business engages in the following activities related to the environment (please fill in the circles for all that apply):

- Has a recycling programme
 - Has a company environmental policy statement
 - Produces a public environmental and/or sustainability report
 - Considers the environmental impact of our products, processes and/or services
 - Marketing or image based on environmental claims (e.g. clean, green N.Z)
- Has measurable targets for:
- Developing employee training programs related to our social and/or environmental goals
 - Reducing waste;
 - Reducing water/energy use
 - Participates in a voluntary environmental program
 - Is a member of an environmental group or network
 - Has an environment-focused supplier program
 - Has environmental management systems
 - Don't know
 - None
 - Other (please specify):

2. Thinking about the future, in the next five years, environmental management will become (please fill in one circle):

- No more important to my business
- Marginally more important to my business
- More important to my business
- Much more important to my business
- Unable to determine

3. My business is getting internal pressure to improve environmentally from (please fill in the circles for all that apply):

- Parent company
- Shareholders
- Employees
- Personal values, beliefs and/or commitments of management
- Don't know
- No one
- Other (please specify):

*The survey was formatted as a one-page, two-sided document

4. My business is getting external pressure to improve environmentally from (please fill in the circles for all that apply):

- Customers
- Competitors
- Central government
- Local government
- Pressure groups
- Don't know
- No one
- Other (please specify):

5. My business engages in the following socially-related activities (please fill in the circles for all that apply):

- Provides job training
- Provides assistance for employees to obtain tertiary education
- Gives time or money to local community projects
- Contributes to charity
- Considers diversity in hiring decisions
- Has family friendly policies
- Provides flex-time
- Has stress management initiatives
- Don't know
- None
- Other (please specify):

6. Thinking about the future, in the next five years, socially-related activities in my business will become (please fill in one circle):

- No more important to my business
- Marginally more important to my business
- More important to my business
- Much more important to my business
- Unable to determine

7. My business is getting internal pressure to improve socially-related activities from (please fill in the circles for all that apply):

- Parent company
- Shareholders
- Employees
- Personal values, beliefs and/or commitments of management
- Don't know
- No one
- Other (please specify):

8. My business is getting external pressure to improve socially-related activities from (please fill in the circles for all that apply):

- Customers
- Competitors
- Government
- Pressure groups
- Don't know
- No one
- Other (please specify):

9. Which of the following do you view as barriers to adoption of environmental and/or socially-related activities by your business (please fill in the circles for all that apply):

- Cost implications
- Knowledge and skills
- Not seen as important in the organisation
- Other priorities are more important
- Management time
- Other (please specify):

10. What factors have influenced you to implement environmental and/or socially-related activities (please fill in the circles for all that apply):

- Cost management/reduction
- Improved shareholder value
- Investor pressure, including socially responsible investing
- Board influence
- Outside pressure groups
- Attractiveness to employees
- Reputation and brand
- Risk management
- Government regulations
- Other (please specify):

11. Have you heard of the Sustainable Business Network (SBN)? (please fill in one circle):

- Yes No Please attach a business card

May we contact you again for any follow-up required? (please fill in one circle)

- Yes No

12. Would you like more information about SBN? (please fill in one circle):

- Yes No

Appendix 2 Chi Result of Longitudinal Sample

Interestingly, results from the chi square test (a test of whether or not two samples are representative), show that the longitudinal sample were actually conducting less sustainable practices than the newcomers. Tables 3, 4 and 5 below report some of the comparative analysis for questions 1, 2 and 6 of the 2006 survey. The remaining questions indicated similar results in that, the newcomers sample was generally more active with sustainable practices, compared to the longitudinal sample.

TABLE 3 – CHI RESULTS FOR SURVEY QUESTION #1

The company has:

| | Longitudinal /Newcomers | Yes | No | Total | Chi2 | Prob |
|---|-------------------------|-----|-----|-------|-------|-------|
| <i>A recycling programme</i> | Longitudinal | 161 | 84 | 245 | 8.64 | 0.003 |
| | Newcomers | 200 | 58 | 258 | | |
| | Total | 361 | 142 | 503 | | |
| <i>A company environmental policy</i> | Longitudinal | 66 | 179 | 245 | 23.04 | 0.000 |
| | Newcomers | 123 | 135 | 258 | | |
| | Total | 189 | 314 | 503 | | |
| <i>Produces an environment/sustainability report</i> | Longitudinal | 26 | 219 | 245 | 0.79 | 0.375 |
| | Newcomers | 34 | 224 | 258 | | |
| | Total | 60 | 443 | 503 | | |
| <i>Considers environmental impact</i> | Longitudinal | 143 | 102 | 245 | 9.27 | 0.002 |
| | Newcomers | 184 | 74 | 258 | | |
| | Total | 327 | 176 | 503 | | |
| <i>Makes marketing claims based on environmental claims</i> | Longitudinal | 47 | 198 | 245 | 22.46 | 0.000 |
| | Newcomers | 99 | 159 | 258 | | |
| | Total | 146 | 357 | 503 | | |
| <i>Measurable targets for employee training</i> | Longitudinal | 43 | 202 | 245 | 0.09 | 0.759 |
| | Newcomers | 48 | 210 | 258 | | |
| | Total | 91 | 412 | 503 | | |

| | | | | | | |
|---|--------------|-----|-----|-----|-------|-------|
| <i>Measurable targets for waste reduction</i> | Longitudinal | 87 | 158 | 245 | 1.23 | 0.268 |
| | Newcomers | 104 | 154 | 258 | | |
| | Total | 191 | 312 | 503 | | |
| <i>Measurable targets for reducing water/energy usage</i> | Longitudinal | 74 | 171 | 245 | 2.76 | 0.097 |
| | Newcomers | 96 | 162 | 258 | | |
| | Total | 170 | 333 | 503 | | |
| <i>Participates in voluntary environmental program</i> | Longitudinal | 61 | 184 | 245 | 2.35 | 0.127 |
| | Newcomers | 80 | 178 | 258 | | |
| | Total | 141 | 362 | 503 | | |
| <i>Is a member of an environmental group</i> | Longitudinal | 55 | 190 | 245 | 61.05 | 0.000 |
| | Newcomers | 146 | 112 | 258 | | |
| | Total | 201 | 302 | 503 | | |
| <i>Has an environment focused supplier program</i> | Longitudinal | 24 | 221 | 245 | 20.46 | 0.000 |
| | Newcomers | 65 | 193 | 258 | | |
| | Total | 89 | 414 | 503 | | |
| <i>Has an environmental management system</i> | Longitudinal | 68 | 177 | 245 | 1.60 | 0.206 |
| | Newcomers | 85 | 173 | 258 | | |
| | Total | 153 | 350 | 503 | | |
| <i>Don't know</i> | Longitudinal | 7 | 238 | 245 | 3.10 | 0.078 |
| | Newcomers | 2 | 256 | 258 | | |
| | Total | 9 | 494 | 503 | | |
| <i>None</i> | Longitudinal | 51 | 194 | 245 | 11.18 | 0.001 |
| | Newcomers | 26 | 232 | 258 | | |
| | Total | 77 | 426 | 503 | | |
| <i>Other</i> | Longitudinal | 4 | 241 | 245 | 3.01 | 0.083 |
| | Newcomers | 11 | 247 | 258 | | |
| | Total | 15 | 488 | 503 | | |

As shown in Table 3, where there is a significant difference between the longitudinal sample and the newcomers sample, the newcomers are more involved with sustainable practices than their longitudinal counterparts (recycling, environmental policy, considers impact, marketing claims, measurable targets

for reducing water and energy, are members of an environmental group, have environment focused supplier programs).

TABLE 4 – CHI RESULTS FOR SURVEY QUESTION #2

In the next 5 years environmental management will become:

| | Longitudinal /Newcomers | Yes | No | Total | Chi ² | Prob |
|---|-------------------------|-----|-----|-------|------------------|-------|
| <i>No more important to my business</i> | Longitudinal | 32 | 210 | 242 | 3.24 | 0.072 |
| | Newcomers | 21 | 234 | 255 | | |
| | Total | 53 | 444 | 497 | | |
| <i>Marginally more important to my business</i> | Longitudinal | 58 | 184 | 242 | 7.85 | 0.005 |
| | Newcomers | 36 | 219 | 255 | | |
| | Total | 94 | 403 | 497 | | |
| <i>More important to my business</i> | Longitudinal | 93 | 149 | 242 | 0.29 | 0.592 |
| | Newcomers | 104 | 151 | 255 | | |
| | Total | 197 | 300 | 497 | | |
| <i>Much more important to my business</i> | Longitudinal | 36 | 206 | 242 | 17.34 | 0.000 |
| | Newcomers | 78 | 177 | 255 | | |
| | Total | 114 | 383 | 497 | | |
| <i>Unable to determine</i> | Longitudinal | 23 | 219 | 242 | 1.79 | 0.181 |
| | Newcomers | 16 | 239 | 255 | | |
| | Total | 39 | 458 | 497 | | |

Note: only 242 respondents of the 245 longitudinal sample responded to this question and only 255 of the 258 newcomers responded.

As reported in Table 4, the longitudinal sample has a significantly higher percentage of respondents that considered environmental management to be marginally or no more important to their business compared to the newcomers. In contrast the newcomers reported that environmental management will become much more important to their business in the next 5 years.

TABLE 5 – CHI RESULTS FOR SURVEY QUESTION #6

In the next 5 years socially-related activities in my business will become:

| | Longitudinal /Newcomers | Yes | No | Total | Chi ² | Prob |
|---|-------------------------|-----|-----|-------|------------------|-------|
| <i>No more important to my business</i> | Longitudinal | 39 | 203 | 242 | 8.12 | 0.004 |
| | Newcomers | 20 | 235 | 255 | | |
| | Total | 59 | 438 | 497 | | |
| <i>Marginally more important to my business</i> | Longitudinal | 67 | 175 | 242 | 4.05 | 0.044 |
| | Newcomers | 51 | 204 | 255 | | |
| | Total | 118 | 379 | 497 | | |
| <i>More important to my business</i> | Longitudinal | 101 | 141 | 242 | 3.26 | 0.071 |
| | Newcomers | 127 | 128 | 255 | | |
| | Total | 228 | 269 | 497 | | |
| <i>Much more important to my business</i> | Longitudinal | 15 | 227 | 242 | 9.16 | 0.002 |
| | Newcomers | 37 | 218 | 255 | | |
| | Total | 52 | 445 | 497 | | |
| <i>Unable to determine</i> | Longitudinal | 20 | 222 | 242 | 0.03 | 0.863 |
| | Newcomers | 20 | 235 | 255 | | |
| | Total | 40 | 457 | 497 | | |

Note: only 242 respondents of the 245 longitudinal sample responded to this question and only 255 of the 258 newcomers responded.

As reported in Table 5, the longitudinal sample has a significantly higher percentage of respondents that considered socially-related activities to be marginally or no more important to their business compared to the newcomers. In contrast the newcomers reported a higher percentage of response to socially-related activities being more or much more important to their business.

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