

## **START OF TRANSCRIPT**

Geoff Allen: Thank you very much. It's a pleasure to be here. After that introduction I feel a little bit like what Barack Obama must be having expectations raised very highly for him to perform. But without taking issue with any of those over generous compliments, let me get started. What I would like to do is reflect on the issue of partnerships from the perspective of business and the relationship between business, government and the not for profit sector in a way that I hope you can draw on the experience and my comments and relate it to your own particular circumstances in your own particular sectors rather than me claiming to be an authority on this issue within, for example, the public health sector. That you will be able to take some comments that I will be making particularly about what's going on in business and see how they might work for you.

You might say what is business doing in a discussion like this and I'm really pleased that the conference organisers have sought to include a component of business in this discussion. Business and government and business and the not for profit sector have not always been seen to be mutually trusted. I am reminded of a minister in the British government who went along to the Confederation of British Industry for their annual dinner and started his speech by saying that his relationship with business was one of trust and understanding. He said 'you don't understand me and I don't trust you'.

But there is in fact a convergence between the sectors in this whole area of partnerships which has, I think, significant future ramifications for what you do on a daily basis and they are a result of three quite significant and important trends. Network governance which is technical jargon for collaborations and bringing people together to do things in areas which were traditionally in government. A new approach in attitude by not for profit organisations and some really quite important and fundamental developments in business and in particular the large corporate sector.

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First of all network governance, I know that many of you will be across the concept and certainly across the content of network governance. We've been through a series of processes and changes in the paradigm of government from government does it all and controls it all and pays for it all and so on to the model that was prevalent 10/15 years ago with the developing of outsourcing where government defines the rules, subcontracts the activity and seeks assurance of compliance for the rules as performance compliance towards a new system of collaboration.

A system where people are obliged to work across silos, across government silos, across levels of government. That's horizontal and vertical silos within government and to work with other stakeholders and, in a situation as I observed that you've discussed earlier, with significant implications, for example, devolved leadership and other stakeholders having a position of influence brought about, in part, by a range of things. So called wicked problems. When I first came across wicked problems I thought they might have had to do with sex and sinning.

In reality wicked problems are those that are really, really complex to resolve and can't be resolved by a single agency or activity working alone but require collaboration, that governments can't resolve in their own – they need a broad base of activity and you can see these permeating our culture today in the health, in the welfare sector, in relation to welfare and communities and issues of crime, in issues of families and education and so on. Also the need to benefit from the experience of other sectors outside government including the not for profit sector and the business sector and their proximity to the so called clients of activity. And a greater sophistication in community leaders, business leaders, not for profit leaders, local community leaders who believe that they have a contribution and that they want to have a voice in the process.

This is not just an Australian phenomenon, there's been strong global incentives to move in this direction. The OECD, for example, has taken this quite seriously. A group at [Brookings]

have observed this trend. Government agencies, bureaus, divisions and offices are becoming less important as direct service providers but more important as generators of public value within the web of multi organisational, multi governmental and multi sexual relations that increasingly characterise modern government. Melbourne University academic, Mark Considine, makes a big claim. He said 'the new narrative of interdependence has as its institutional twin a new model of coordination in which diverse ties and flows of actions define an emerging structure. This network governance paradigm suggests a possible breakthrough in public administration and organisation theory by providing a means to tackle problems in a multi dimensional and locally flexible way. It forges a new path between bureaucratic centralisation and privatisation and, as such, may be regarded as the emerging model of public organisation for the 21<sup>st</sup> century'.

That is a big call. It has its application, I think, particularly in areas of social policy and local community activities and it does require – although this is another topic – significantly different skills in government than have been those of the traditional order and different skills in not for profit organisations and different skills in business and I will come to that.

In not for profit organisations I've seen also some sort of paradigm shift taking place I think. In particular an embrace of broader sectors to seek to deliver interventions in the community for community betterment with collaborations with government and with business. A more full embrace of others believing, as not for profit leaders have been telling me, that for example even with business that they feel that they can't really achieve their mission without business engagement or at least it's a very substantial facilitator to have not only the resources but the wisdom and experience and the connections and networks that business provide and bring to the table.

Then, of course, we have the development of social enterprise and social innovation. This is an area where it is not terribly fully and well defined. I think it's a work in progress seeing how this is going

to continue to evolve but basically it's not for profit organisations seeking new ways to meet community needs, new ways of collaborating between the sectors. Some of them are really quite advanced, particularly some of the larger, more sophisticated not for profit organisations in this direction. The Smith Family, just for example with business, has more than 70 partnerships with business organisation across the country and dozens at the national level.

But I am here particularly to talk about the role of business in this mix and I must say, again, I'm particularly pleased of this conference because having read all the speeches for another purpose that federal ministers have been making in relation to their social inclusion agenda, some very, very worthwhile and new thoughts going into that process, but to read all their material you would not know that business was, at least, in any way engaged in this operation at all. It is bereft of references to business and to an acknowledgement of the significant role that business is playing in the not for profit sector and in collaborations of this kind.

Now what I propose to do is to speak to you about some broad trends that are going on within the business sector and I specifically mean the large corporate sector where business leaders see themselves as trustees of other people's resources rather than their privately held resources and privately owned resources but nevertheless seek to achieve things in the community.

We've gone from a circumstance which I call for this purpose the chairman's wife syndrome and that's not because it's simply a sexist reference but it does reflect in fact an experience in this town itself where the chairman's wife of a major mining company was prevailed upon to become a member of the committee for the Westminster Abbey bells restoration fund and more than half of that company's then so called philanthropy went to London to facilitate the Westminster Abbey bells restoration. That's basically a situation where the corporate resource followed, in particular, the idiosyncratic interests and needs of an individual in the corporate

frame. It has gone fundamentally from that process to, what I call, embedded strategy. So we've even changed the language and people are now, at least within the corporate sector, not talking about corporate philanthropy anymore but corporate social investment or corporate community investment which reflects this change in orientation.

Basically it is a requirement for business to establish a business case for its social engagement. This is driven by a number of things. That perception that in fact business is operating as a trustee of other people's resources including the savings of the community invested in their enterprises. But it is also, in part, driven by the fact that businesses are swamped with all sorts of requests and need to determine some priorities amongst those requests. We've had a situation where, for example, companies like BHP or Telstra and so on would receive up to a thousand requests a week for donations or contributions to good causes and have had to deal with that in a significant way. The first way to deal with that was to say we'll only deal with [tranches] like we're only the public health or we're only in education, we're only in arts or sport or something but if you're not applying in those categories, desist.

But now we've gone to a situation where basically only a very small percentage of corporate financial contributions and corporate activities are in response to a request except, of course, in major emergencies like tsunamis which is a very different case. In some work that we've done at the Allen Consulting Group and through its Centre for Corporate Public Affairs, we have surveyed 120 major companies to ask about these issues and only eight percent of those companies said that they are contributing corporate community investment resources for no benefit or for philanthropic purposes only. Eighty eight percent are seeking a generalised business benefit out of that sort of process and of those 25% are saying that they require in fact a specific return on that investment for the corporation, however that is articulated. It can't necessarily be articulated in short term financial terms but very specifically concept of return on investment required for the resources spent

by a company into those areas. And the processes internally in these companies are established within a framework of policy that goes to the corporate enterprise and its objectives and then specific options and priorities with a very strong alignment to our business case.

And you can get a clue to what constitutes a business case from further research that we've done asking why corporations are involved in this activity. It's not a Mickey Mouse activity. I mean it's quite substantial. Quite typically companies are contributing \$10 million/\$20 million a year to these sorts of community activities and very large companies like BHP, for example, has been allocating over \$100 million a year to corporate community investment activities in the communities in which its operating. But to interrogate the reasons and what might constitute a business case. First of all it is really interesting, and particularly these days, to note that a lot of this activity is employee driven.

Gen Ys these days when they go to – and I suppose most of you from government or not to profit sector may not have experienced this but I suspect that it does underline a lot of attitude. They'll go to a business and in a job interview the interviewer soon becomes the interviewee and the applicant for the job starts quizzing the company and it's all about its social responsibility, its activities, what it's doing in its community and what opportunities will that person have to be participating in broader altruistic things that the potential employee would seek to be part of. This is a top of the mind issue particularly in a situation we've been experiencing over recent years of the war for talent.

So companies are very conscious of the demands and expectations of their employees to be socially engaged in this sort of way. This has lead also to the fastest growing component of corporate participation and sponsorship is in volunteerism and I know there are some problems with volunteerism. I mean a company sending teams of people down at short notice to a not for profit organisation or an agency or a hospital to do some good works on Tuesday afternoon requires very substantial resources to

make benefits and often the benefits are negative. Someone said to me 'there's only so many times you can paint the boardroom'.

Another very strong motivating factor is the general issue of reputation and that's linked to all of these things like employer of choice, business neighbour of choice and so on. It's a broad and all encompassing thing. Companies are very jealous of their reputations and believe that they have actually real value just like a brand for a product has a real value way beyond the tangible aspects of the brand. So does corporate reputation that has a real value that goes to the bottom line. It doesn't mean that there are no strong aspirations for public good and social conscious because corporate executives see themselves as citizens with the obligations of citizens as well.

But in particular, and I think particular reference to the sort of things that many of you are doing in local communities, the issue of the license to operate and the general trust that is required for companies working in communities that they believe participating in community investment activities in partnerships with not for profit organisations and with government agencies on community issues is very critical to them maintaining good reputations, having a license to operate, being trusted in the community and perhaps even accepting goodwill so that they can find ways through local planning or any sort of equivalent issue.

Another quite interesting objective that I was surprised to discover was the degree to which leadership in big companies are very keen to have their executive teams engaged in not for profit organisations and other activities to get a window in to broader community issues and broader community activities for the professional development and understanding of those executives. So these are some of the motives and some of the incentives and this goes to the whole issue of the importance of looking at the strategic aspect of a corporate community involvement and its selection of its activities.

I think there are a couple of other very important characteristics which probably are useful to note. First of all companies are

seeking these days instead of a sort of broad shotgun approach to supporting many activities, looking for fewer, deeper and better leveraged relationships. So they are shrinking the number of engagements that they are involved in. They are seeking to have a deeper level of involvement and they are seeking to leverage them for their own corporate uses and their own corporate engagement and particularly the engagement of their own employees in a deeper and more significant way which is, if you like, a companion piece to another very important phenomenon of the development of sustainable partnerships with those people in whom these engagements are being established.

Sustainable partnerships that go beyond the business cycle, that look for longer term engagements, that go beyond a sort of a one year or two year but a longer term commitment which enable not for profit organisations and other activities to actually lock into something deeper and to be relied upon. And upon commitment, mutual obligation. This mutual obligation reflects something that you've been talking about, I think, which is that there's got to be something in it for everybody and that's got to be well understood. It's not longer a cheque over the fence, arm's length to people who are not engaged and this mutual obligation and these partnership deals are increasingly being locked in and established through detailed, negotiated partnership contracts with the obligations of each party clearly established with benchmarks and KPIs to assess and continue and monitor the mutual obligation and the set of mutual relationships. There are criteria for what constitutes a good partnership established in these mutual relationships are quite articulate and quite sophisticated and in many cases very thoughtful. I'll come back to something. I want to talk to you about what might happen in a recession or an economic downturn in relation to that.

Another very important factor is the desire to find particular alignments with specific business issues and specific business competencies and the best way to illustrate that, I think, is to reflect upon some of the higher profile sorts of engagements that we find with business organisations. For example, some very

explicit cases. Sometimes these relationships are less explicit and more subtle, but very explicit ones. You'll find that all the major banks have put an increasing number and very substantial part of their corporate community investment into areas such as financial literacy which is both supportive of community activities and at the same time reflects the competencies of banks and their executives and their people and also has a vested interest for the bank to ensure, for example, that families are budgeting effectively, to protect bad debts, but also a very significant issue in community welfare. Financial literacy in schools with under privileged groups and so on. In fact finding banking products for people in lower socio-economic groups.

Another very tangible and demonstrable connection is the Royal Flying Doctor Service is getting principle sponsorships from mining companies and other companies in remote areas because obviously it's very important it services those people and their own staff value the Flying Doctor Service and its operations. More subtle ones might be, for example, Insurance Australia Group why would it be involved in greenhouse issues or why would it be – well largely because they see in the longer term the devastating effects and the impacts on insurance of greenhouse related weather conditions or crime prevention. They are very active in crime prevention, education and facilitation in areas of high risk, of course, because they insure motor vehicles and they insure houses and so on. So there's a strong connection between the business strategy and the particular endeavours that they pursue.

So what are the implications, if you like, for your sort of engagement with business? How do you find the linkages?

Reflecting on public health issues one of my favourite ones is not an Australian one but Unilever in Bangladesh. Unilever is a corporation that is basically driven by its brands. It has Streets Ice Cream. It has a lot of health and hygiene products. Dove Soap and away we go and includes Lifebuoy. And in Bangladesh they have a converted barge called the Lifebuoy Floating Hospital which goes up little tributaries and rivers and so on bringing health care and medical attention and so on to remote villages in these poorer

areas of Bangladesh and difficult to reach areas of Bangladesh. But with the Lifebuoy brand right up front and distributing Lifebuoy products as part of that process to assist in the health and hygiene of those local communities.

So there's a sort of convergence between the skill sets of the business, the brand positioning of the business, if you like, and the community benefit that comes from the associations. There is another sort of association which is really important to some companies, particularly in areas of political risk, where their activities are seeking to break down negative stereotypes and engage people who might be corporate critics and so on where there's an opportunity to have a greater meeting of minds. So you'll find mining companies, for example, deeply involved in working on environmental issues together with environmental organisations. Western Mining which is now part of BHP, for example, had a very close relationship with the WWF in relation to the management of its forests around mining areas and forest restoration. All of those, I think, are very important examples.

Now there are challenges for not to profit organisations and other participants in dealing with business and some other work we're doing and some of the research we've done in these areas are actually being supported by the artist formerly known as [FaHCSIA]. I mention that because the current acronym is something I can't pronounce. But they've been very supportive and there is a research report which they have not yet released which is looking at the not for profit experience with business and while overwhelmingly it's been positive there are some challenges. One of them is the alignment of values with business, with businesses natural concern, if you like, or predisposition to seek efficiency and quick action and control largely through their command and control sort of fundamentals to dealing with consensus in organisations and the need for more subtle and perhaps contrasting to the sort of rational economic and scientific paradigm that drives business. Like you can get the computer printout, that's the answer, that's the way it should be to a much more subtle sort of approaches that

take place in not for profit and some government sort of agencies. And that goes to cultural gaps and operating styles as well.

Some not for profit organisations feel that business have not been adequately respectful of their values and their competencies and that they seek power asymmetry in a kind of way that they know best and seek to enforce that and that's something that I think needs to be pushed back and better understood within business. Capacity constraints and expectations. Part of this whole process of more sophisticated partnerships and the need to demonstrate return on investment is taking business down the track that governments have frequently been in of requiring very substantial accountability frameworks and data and work and things that drive not for profit organisations crazy to meet accountability standards and expectations which are understandable in government, business are imposing these too but creating capacity pressures on not to profit organisations.

Brand risk is another one. I've seen situations where not for profit organisations have got very good relationships and high profile relationships with corporations who have then done some bad things and this has created very substantial pressures for the reputation of not for profit organisations, not the least with some of their own constituencies who are concerned about those relationships. And it can operate the other way. It's a long time ago, I know. But some businesses were seriously burned by their association with the National Safety Council when that organisation had some problems as those really old people like myself will recall.

Okay, and I think business people have been really quite intolerant of what they perceive to be competitiveness within not for profit organisations and government agencies where the focus is on their institutional interests and needs perhaps driven in part by their fundraising needs to lead to situations which are not rational in the distribution of activity and get very frustrated particularly in a situation where they feel that collaboration or even merger would provide a better bottom line outcome.

So there are a number of concerns and issues in the relationship with business from the side of not for profit organisations. But I would like to just make one comment about the situation which we feel we might be facing in relation to economic pressures. Those organisations, those companies, that are still stuck in the old response to request situation or who are budgeting for their not for profit activities on an annual sort of basis in ad hoc response and not in deep longer term committed partnerships are more likely to be less loyal and to cull their spending in a situation of economic downturn. Those who have got, for example, five year funding agreements or deeper relationships or partnerships are more likely to be more stable. In a sense this sense of mutual obligation of deeper and closer relationships with the business sector are very good for organisations that are buffeted around by short term funding and those sorts of activities.

The other thing is, I think that there is already a trend away, but will be exacerbated, from corporate support for elite not for profit activities such as highbrow arts sponsorships and that sort of thing and be more attentive to community pressures particularly in local communities where companies are in fact operating. I think there will be pressures on corporate engagement. There will be budgets cut. They're less likely to be cut where there's deeper and more sustainable relationships. So finding the sweet spot, if you like, between the interests and needs of the corporation and their staff and particularly their employees and the needs of the community in collaborations across the sectors with not for profit organisations and with government, I think, is something that is deepening. It's very important that it's managed effectively and that it's managed with an understanding of the expectations and requirements of all the sectors and that's a two way proposition. Thank you very much.

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