

## **Sustainability vs economic recession: A longitudinal study of businesses practices in New Zealand**

Professor Juliet Roper  
Department of Management Communication  
University of Waikato Management School  
Hamilton, New Zealand  
Email: [jroper@waikato.ac.nz](mailto:jroper@waikato.ac.nz)

Dr Eva Collins  
Department of Strategic Management  
University of Waikato Management School  
Hamilton, New Zealand  
Email: [ecolln@waikato.ac.nz](mailto:ecolln@waikato.ac.nz)

Professor Stewart Lawrence  
Department of Accounting  
University of Waikato Management School  
Hamilton, New Zealand  
Email: [slawrence@waikato.ac.nz](mailto:slawrence@waikato.ac.nz)

Associate Professor Jarrod Haar  
Department of Strategic Management  
Email: [ecolln@waikato.ac.nz](mailto:ecolln@waikato.ac.nz)  
University of Waikato Management School  
Hamilton, New Zealand

### **Introduction:**

Issues of economic, environmental and social sustainability are now widely recognised as paramount for business survival. So far, however, “sustainability” and “sustainable development” have primarily been promoted as a business opportunity (Day & Arnold, 1998; Porter & Kramer, 2006). That is, firms cannot only save money by being environmentally and

socially responsible, but they stand to make money by taking a leading market position that is responsive to growing consumer demands for high quality, environmentally friendly products, including technology. What is rarely discussed, however, from a management perspective, is the danger to firms of not pursuing such an agenda. Indeed, the barrier commonly cited by the business sector to sustainable development is that it is too costly to implement change (Collins, Roper & Lawrence, in Press), an argument lent more weight in times of economic recession. Politicians, sensitive to their short-term election cycles, tend to be conservative in mandating such change. On the other hand, consumers and social action groups are increasingly active participants in what Beck (1992) terms the risk society, with its desire for environmentally friendly production processes. The recession thus potentially places the sustainability movement at a crossroads: will it be seen as the passport to a future that is not only environmentally and socially, but also more economically viable, or will it be put on hold until managers, politicians and economists believe it to be affordable? If one route is chosen over the other, what might the consequences be?

This paper reports the findings of a survey of New Zealand businesses' sustainability practices, conducted in late 2009 to early 2010. The survey is part of a longitudinal study that began in 2003, was repeated in 2006, and has been complemented with interviews and focus groups in 2004 and 2007. The latest survey spans a time of global economic recession and thus presents a unique view of the tensions between economic growth and sustainable development. The results of the survey and their implications are discussed in the context of New Zealand's national sustainability positioning and its valuable international branding as 'clean and green'.

### **Sustainable Development and the Risk Society**

Sustainable development, according to the most popular definitions, involves economic growth, but with equal attention to mitigating negative environmental and social impacts of development. This has been a difficult message to sell to governments and industry that have long operated under a system of free market capitalism, and thus it is with good reason that much of that selling has been done in the form of the 'business case' for sustainability: 'do well by doing good'. Moral arguments do little to motivate change as in practice the economic concerns still dominate (Porritt, 2005). The leaders of change tend to be those who, in line with the business case, see and take advantage of the profit opportunities in change (Dunphy *et al.*, 2007; Willard, 2002). In the case of social

sustainability it may take the form of enlightened employment practices that serve to ensure the attraction and retention of good staff. More relevant to this paper, and certainly more topical given the prominence of such issues as climate change, is the environmental aspect of sustainable development. There is profit to be made in new technologies which mitigate greenhouse gases, especially with the introduction of emission trading systems.

However, as discussed at length in Beck's (1992, 1997) seminal work on post industrial societies, the winners in ecological modernisation – those who succeed in turning environmental imperatives into business opportunities – also produce losers – those who fail to move from traditional industrial mechanisms. The process of change is fuelled by public concern. Again following Beck (1997), as societies become aware of potential side effects of industrial modernisation such as pollution, they perceive the side effects (actual or potential) as risk. The establishment of winners and losers amongst business serves to exacerbate the politicisation of environmental issues, a politicisation which endures until the new, socially acceptable methods become mainstream and the old are forced out of business.

Whether or not the risks are real or to what extent they are real, is not the central issue. What matters is that they are perceived to be risks and that there is some material basis for that perception (Adam & van Loon, 2000). As such they become political, with societies demanding a precautionary approach. Regardless of the fact that business and governments may or may not see a need for change, be it from an environmental, moral or economic perspective, the subpolitical (Beck, 1997) uprising of society in response to risk can present an ultimatum: change or suffer a fundamental loss of trust, reputation and legitimacy. Indeed, the body of research demonstrating consumer demand for corporate responsiveness to environmental and social issues is large and growing. A 2008 McKinsey Quarterly report, for example, states unequivocally that 'Businesses must act on global warming and other issues to narrow a general trust gap between them and the public' (Bonini *et al.*, 2008).

### **The business case for sustainability**

As awareness of global environmental problems grows, especially in relation to climate change, the movement for sustainability has also gained momentum. Because business is typically held responsible for creating the majority of anthropocentric greenhouse gas emissions, as well as other causes of environmental degradation, so too is business expected to take responsibility for change to environmentally sustainable practices (Shrivastava & Hart, 1995). Because of businesses' typical adherence to a traditional focus

on profit imperatives, this responsibility is most often sold to business in the form of ‘the business case’: that there is vast potential for capital growth in sustainable development (Hart & Milstein, 2003; Willard, 2002). These opportunities may range from new technology development to reputation enhancement. At the lower end of the scale, improved efficiency will reduce costs. Much less frequently, warnings are given that echo Beck’s thesis, outlined above, that those businesses that do not embrace sustainability will eventually find themselves at a competitive disadvantage. Margolis *et al*’s analysis of the profitability of demonstrations of corporate social responsiveness, for example, indirectly points to such a disadvantage by finding that although financial returns may be minimal, the risk to reputation of not doing good is too great for inaction (Margolis *et al.*, 2007).

### *The business case for New Zealand*

New Zealand as a nation has the potential to profit enormously from the sustainability movement. On the other hand, because of the issues it faces from its geographical isolation, it also has strong potential to be one of the losers in a risk averse society. To a large extent, the outcome will be dependent upon the overall practices of its businesses as well on the degree to which its government is prepared to support sustainability, be it through education, incentives or legislation. The country’s reputation as an environmentally ‘clean, green’ country is built upon its natural and diverse scenic beauty, and its small population relative to country size. New Zealand’s positioning was given enormous momentum through a Tourism New Zealand campaign to capitalise on the release of the *Lord of the Rings* movie trilogy from 2001 to 2003 (Piggott, Morgan & Pritchard, 2004). Each of the three movies was filmed entirely in New Zealand, set in diverse scenery ranging from rolling green farm land to spectacularly steep mountains.

It is well known that national branding can be transferable to the image of a range of the country’s assets, with a strong brand advantaging products in the eyes of consumers (Gnoth, 2002). Certainly, while New Zealand’s positioning was arguably targeted primarily at increasing tourism to New Zealand, it has also had a strongly positive effect on other industries, such as agricultural produce, including dairy, meat and organic foods, as consumers associate ‘clean, green’ with food quality and safety (Clemens & Babcock, 2004). A New Zealand Ministry for the Environment (2001) report stated that ‘if New Zealand were to lose its clean green image, it would have an enormous effect on the New Zealand economy’ and estimated that New Zealand’s clean green image was worth ‘possibly billions

of dollars per year' (p. 5). Taking the positioning a step further, in 2006 the then New Zealand Prime Minister, Helen Clark, announced that New Zealand would gradually introduce an emissions trading scheme, and that all aspects of public policy would be underpinned by sustainability perspectives, with the aim of becoming the first 'truly sustainable' country in the world (Clark, 2006).

In principle, achieving national branding is extremely difficult and complex because of the multiple and diverse stakeholders, along with the changing circumstances of the country itself (Morgan et al., 2002). The construction and maintenance of a competitive identity of a country is much more effective if it is a collaborative exercise involving all key stakeholders working in line with a common strategy, entailing

monitoring the external environment, gaining a dynamic understanding of opportunities and threats, as well as the competitive forces in the environment. The process must involve government, citizens and businesses, all with a shared vision. It requires setting and delivering the incentives and managing the factors that might affect place buyers' decisions - these factors include image, attractions, infrastructure and people (Kotler & Gertner, 2002, p. 254).

Dinnie (2008) further insists that national positioning should be fully integrated into national policy as well as that of key companies. His view is that when brand management 'informs policy-making and becomes implicit in the way the country is run, it can dramatically accelerate change' (p. 23).

For New Zealand, the potential, not only to lose the value of competitive advantage as a sustainability leader but to then suffer the economic consequences of being one of the losers in the move for change, is arguably higher than for many. As environmental concerns are becoming widespread, individual consumers are increasingly looking for ways in which they can personally reduce their environmental impact. One concept that has caught on in this context is that of food miles, the distance food travels from production to consumption. While the concept was initially conceived in terms of fair trade and support of local producers, amongst others, it is now almost exclusively used in relation to carbon emissions and climate change. The fact that New Zealand is geographically positioned as far away from Europe and the UK as possible, renders it an easy example upon which to build concerns regarding food miles. Even though science can challenge the assumptions that New Zealand exported food has a higher carbon footprint than that of its competitors (Saunders *et al*, 2006), such is the nature of the risk society that science does not carry the authoritative weight that it once did.

Definitions of risk have become much more open to interpretation and hence contested and politicised.

New Zealand has long operated under a *laissez-faire*, free market based economy. As a result, the business sector has predominantly embraced ideologies of economic growth, individual rather than collective responsibilities, minimal government intervention in business matters and voluntary action for issues such as environmental damage mitigation. The New Zealand Government ratified the Kyoto Protocol in late 2002 but with enormous resistance from the business sector, primarily on the grounds that the country (and business) could not afford the terms of Kyoto (Collins & Roper, 2005). Their responses clearly demonstrated that much of the New Zealand business sector firmly adhered to the traditional management paradigm whereby 'managers assume that the primary risks they face are related to financial and product markets. They assess and manage financial risks in relation to economic returns' (Shrivastava, 1995, p.126).

Not all New Zealand businesses are opposed to sustainable development mechanisms. Notable New Zealand based companies including Comvita, Snowy Peak, Trilogy, Icebreaker, and Grove Mill Wines, to name a few, have seized the advantages of ecological modernisation. Many have placed the concept at the core of their practises and positioning. Indeed, entire regions of wine producers have set themselves ambitious sustainability targets. These are the market leaders and innovators whose success rests, or at least is enhanced by, the national positioning.

#### *Government Attitudes and Practices*

The New Zealand government set out an agenda in 2006 to move the country towards a leadership position in sustainable development. In 2007, the then Prime Minister stated that without 'a commitment to greater sustainability in our resource use and way of life, we risk not only damaging our own environment, but also exposing our economy to significant risk.' In acknowledging New Zealand's geographical isolation and reliance upon its 'clean, green' positioning, she also stated that "More than any other developed nation, New Zealand needs to go the extra mile to lower greenhouse gas emissions and increase sustainability" (Clark, 2007).

The New Zealand Labour Government was replaced in late 2008 by a coalition led by the conservative National Party. In line with the coalition agreement, one of the first actions of the new government was to delay the introduction of the emissions trading scheme (ETS)

set up by the previous government, and to review climate change policies generally. Much of the business sector, however, was supportive of the review because of concern that business might be put at an economic disadvantage by international competitors who were not subject to such a system. The CEO of Business NZ, a major business association, stated ‘even if companies have already spent money setting up systems that may no longer be needed, they’re happy at the prospect of a more business-friendly regime in the longer term’ (NZ energy, 2008). A modified ETS is now being phased in. Other new initiatives include a review of the Resource Management Act (RMA) “to remove the barriers that stand in the way of improving New Zealand’s infrastructure and the creation of new industries and jobs” (Key press release 3 Feb 2009 ‘Fixing RMA crucial to future growth’). New policy to open up public conservation land to mining is also being mooted.

The results of the 2010 survey, especially when compared with the results from 2003 and 2006, are arguably indicative of the strength of the business case for sustainability in New Zealand under a combination of increased economic stress and reduced pressure for sustainability practices from government policy.

### **The survey**

The survey of Managing Directors in New Zealand was conducted in late 2009 and early 2010 in order to find out what happened to sustainability practices during one of the worst global economic recessions in recent history. There was a 30% response rate. Out of the 736 respondents, 15% had responded to a similar survey conducted in 2003 (Collins & Lawrence, 2005) and again in 2006 (Collins, Lawrence & Roper, 2007) allowing, not just an overall picture of the nation, but a tracking of individual companies over a 7-year period. The study also analyses the drivers and barriers to adopting environmental and social practices.

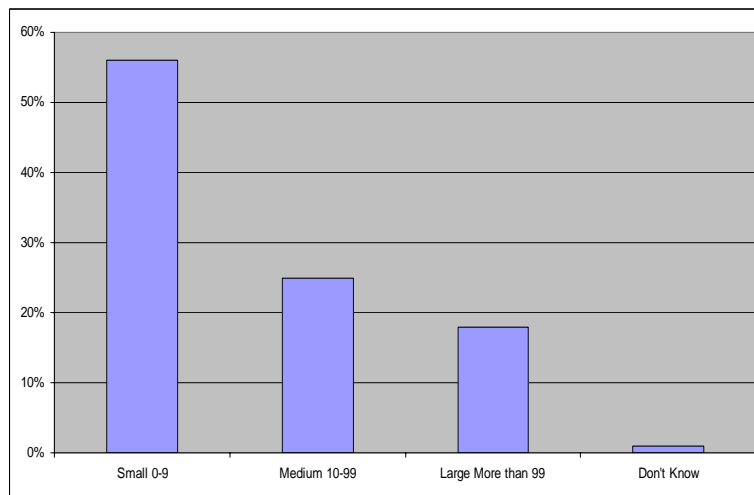
The same survey instrument was used in 2003 and 2006. In 2010 it was modified with the addition of some questions to reflect new developments in government policy, international trends, and changing environmental circumstances. These included questions regarding carbon emissions and, with water in New Zealand beginning to be viewed as a limited resource, a question about targets for reduction in water use. They also included specific questions for the New Zealand Chartered Institute of Management Accountants (CIMA) who sponsored the 2010 survey. The key research question that guided each of the

surveys was: What is the nature and extent of business adoption of sustainability practices in New Zealand?

Surveys were e-mailed and sent out by post. Respondents could complete the survey online or post a hard copy. Surveys were sent to the Managing Director of each organisation. Surveys were sent to members of the Sustainable Development Network (SBN) and CIMA; participants of the NZ Shape polling panel which is affiliated with the New Zealand Business Council for Sustainable Development (NZBCSD); and companies from the Kompas database. The composition of the respondents by organisational membership was:

- 38% SBN
- 9% CIMA
- 7% NZBCSD
- 54% None of the above

Composition of respondents by company size is represented in Figure 1. Small and medium-sized enterprises (SMEs), defined in New Zealand as those with less than 20 employees, (Ministry of Economic Development, 2009), represent 99 percent of New Zealand’s total business population. We break this category down into separate components of Small and Medium.



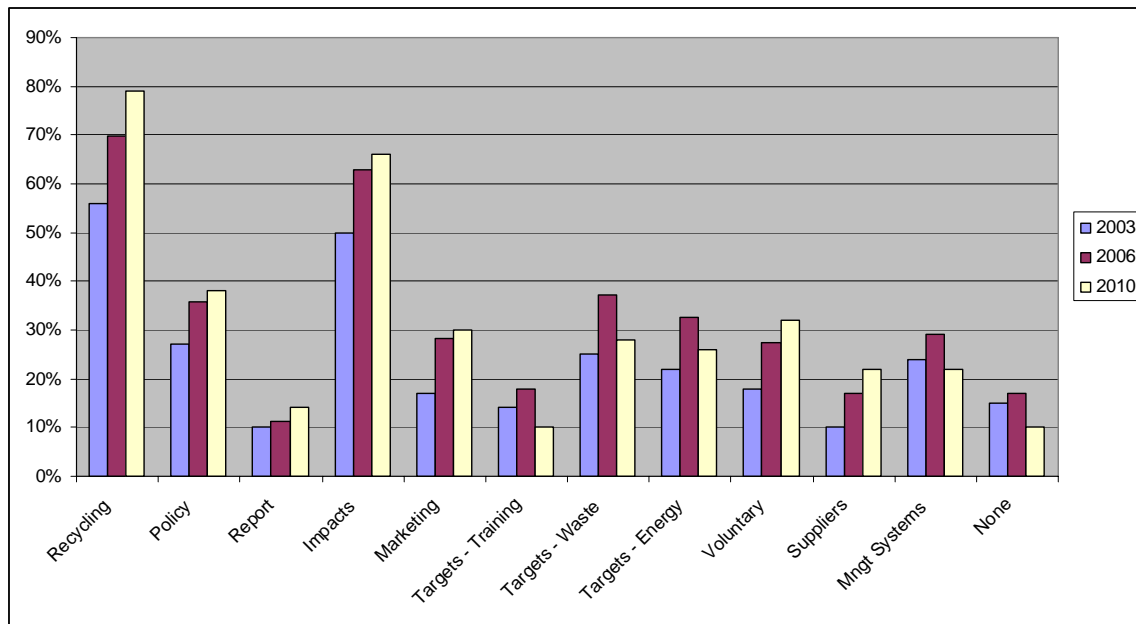
**Figure 1: Firm Size of Respondents 2010**

## Results

The 2010 survey found that the most common environmental practice was recycling, with 79% of firms indicating that they have a recycling programme. While 66% of respondents consider the environmental impact of its products, processes and/or services,

only 28% have measurable waste targets and 26% energy targets. Only 17% of respondents stated that they have water reduction targets while 16% had carbon reduction targets.

Figure 2 illustrates the changes in the adoption of environmental practices by New Zealand businesses since 2003. Despite the economic downturn, there has been a general increase in environmental practices. Interestingly, considering the positive short-term economic benefits, waste and energy targets were two practices that decreased in 2010.

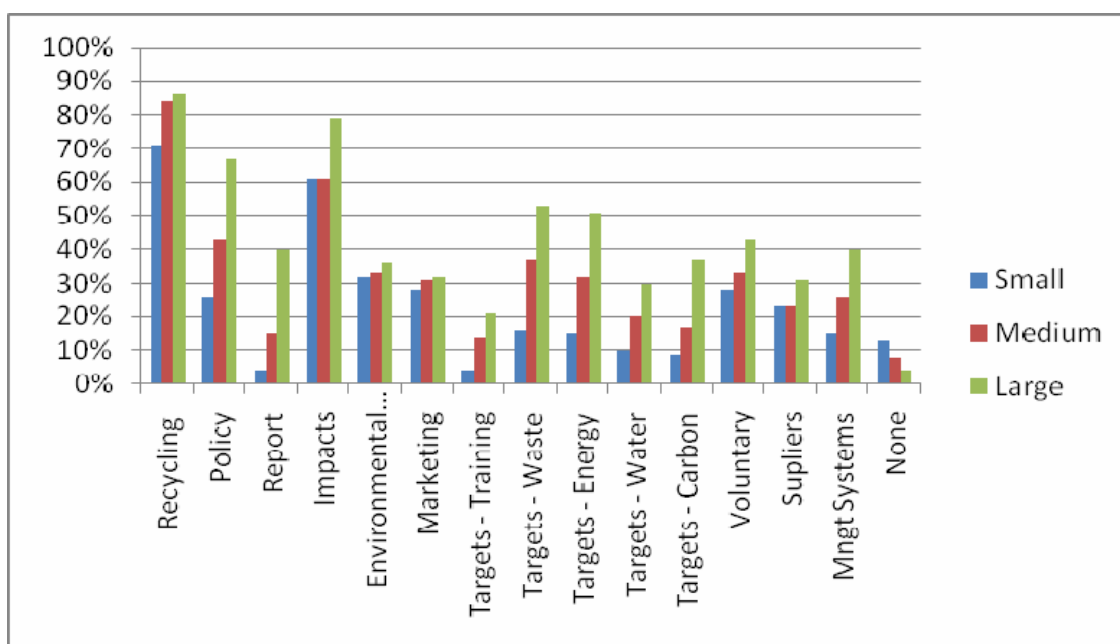


**Figure 2<sup>1</sup>: Environmental Practices 2003-2010**

Nationally and internationally, some media reports have challenged New Zealand’s “clean green” branding, questioning New Zealand’s commitment to the environment (Cumming, 2010; The Economist, 2010; Pearce, 2009). The survey results show, however, that the number of companies basing their marketing on environmental claims such as “clean, green New Zealand,” continues to grow steadily, from 17% in 2003 to 30% in 2010. This growth makes it even more important that there is substance behind the marketing claims.

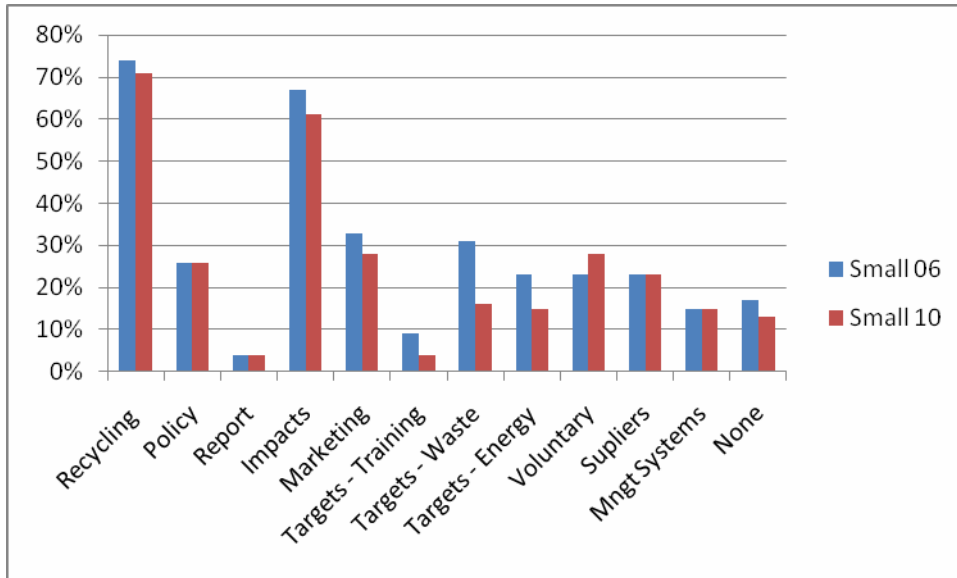
<sup>1</sup> The following is a complete list of environmental practices a respondent could choose from: Has a recycling programme; Has a company environmental policy statement; Produces a public environmental and/or sustainability report; Considers the environmental impact of our products, processes and/or services; Develops product and service innovations based on environmental benefits; Marketing or image based on environmental claims (e.g. clean, green NZ); Has measurable targets for: Employee training programs related to our environmental goals; Reducing waste; Reducing water; Reducing carbon; Participates in a voluntary environmental program; Has an environment-focused supplier program; Has environmental management systems; Don’t know; None; Other (please specify)

In the 2003 and 2006 surveys we found that firm size was the primary predictor of the adoption of environmental practices, as seen in Figure 3, with larger businesses more likely to adopt them than smaller businesses. The 2010 results are consistent with these earlier findings. In every category, the larger the firm, the larger the uptake was of environmental practices. These results are consistent with international findings related to firm size (Gerstenfeld and Roberts, 2000).



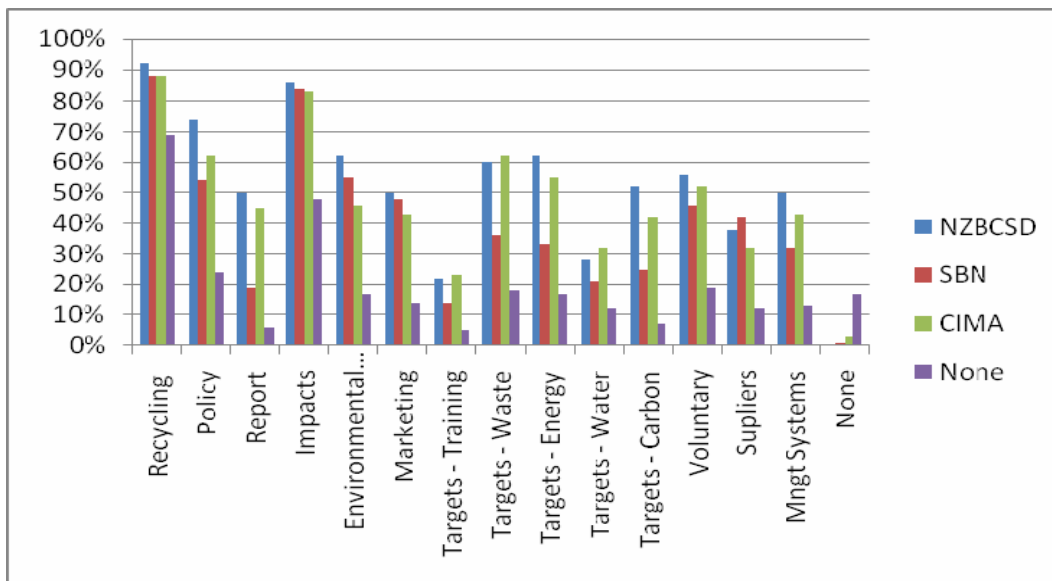
**Figure 3: Environmental Practices by Firm Size, 2010**

The challenge for New Zealand is that the majority of businesses are small businesses, as stated above. To achieve any national environmental policy objectives, or indeed to lend substance to sustainability-based national branding, small business practices must be consistent with the brand. The difference in uptake between small and larger firms is more acute when viewed through a comparison of the 2010 figures with those of 2006. Although overall there was a slight increase in the uptake of environmental practices between 2006 and 2010, the practices of small firms shown in Figure 4, shows a *decrease* of all environmental practices except participating in a voluntary programme. The results for small businesses are the opposite of the profile for medium businesses which shows an increase in the uptake of all but one environmental practice.



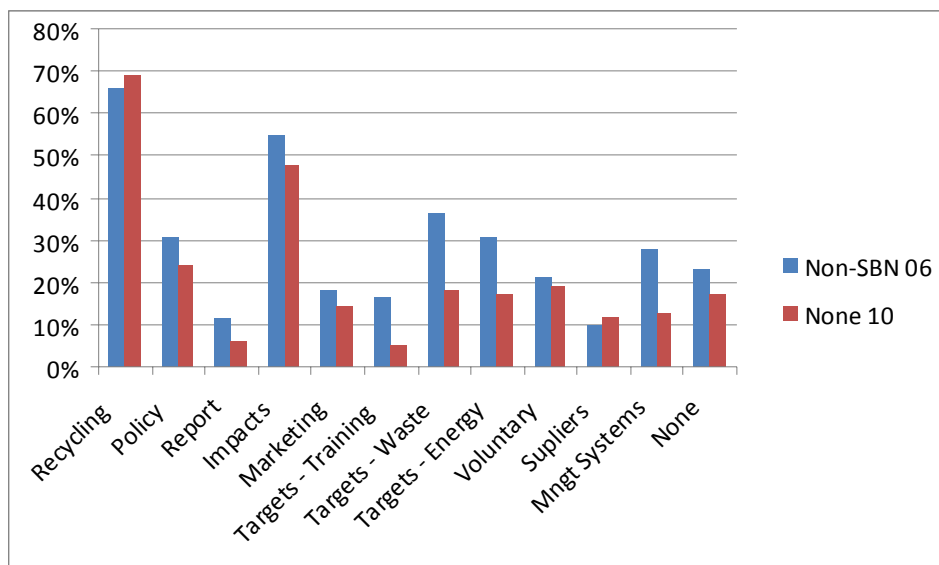
**Figure 4: Environmental Practices of Small Firms, 2006 & 2010**

A breakdown of the results according to affiliations of the respondents adds further complexity, but at the same time arguably gives a more accurate representation of the situation, given that the 404 businesses with no affiliation are probably more representative of New Zealand businesses generally. The firm size of this sub-group is typical of New Zealand's economic profile with 62% of the sub-group being small business, 24% medium and 13% large. As shown in Figure 5, few environmental practices are adopted by more than 20% of this sub-group while 17% have adopted no environmental practices at all.



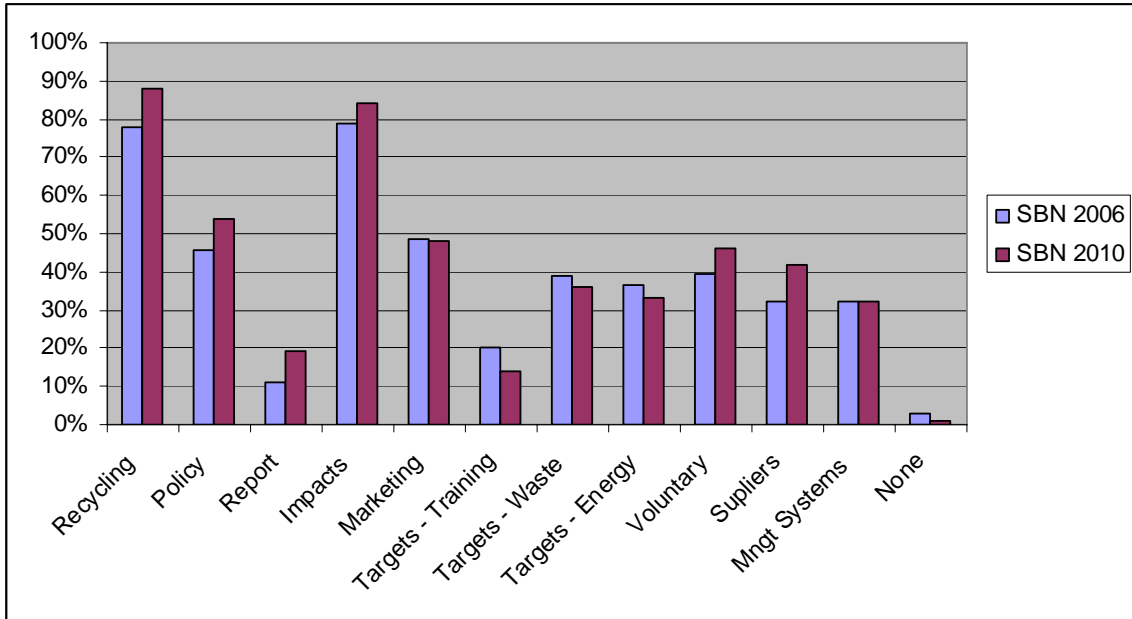
**Figure 5: Environmental Practices by Affiliation 2010**

Comparisons made between non-SBN in 2006 and those with no environmental affiliation in 2010<sup>2</sup> show a stark contrast in business attitudes during a time of economic recession. In 2006, the survey results showed that while all companies across the sample increased their uptake of environmental practices compared to 2003, SBN members had a significantly greater increase than non members. Although the 2010 survey results overall showed a slight increase in environmental practices despite the recession, those with no affiliation to an environmental organisation registered significant decreases in all but two of the environmental practices. This would indicate that the two groups have diverged in their priorities, with one increasing sustainability commitments, the other decreasing.



**Figure 6: Environmental Practices of Non-SBN Companies, 2006 – 2010**

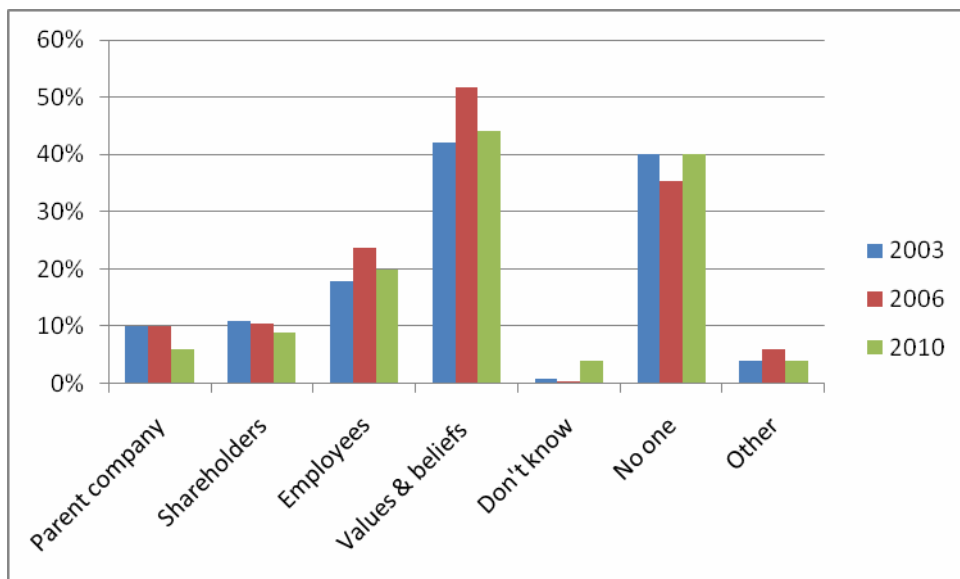
<sup>2</sup> The SBN but not the NZBCSD was part of 2006 survey so results for the latter group are not available for comparison.



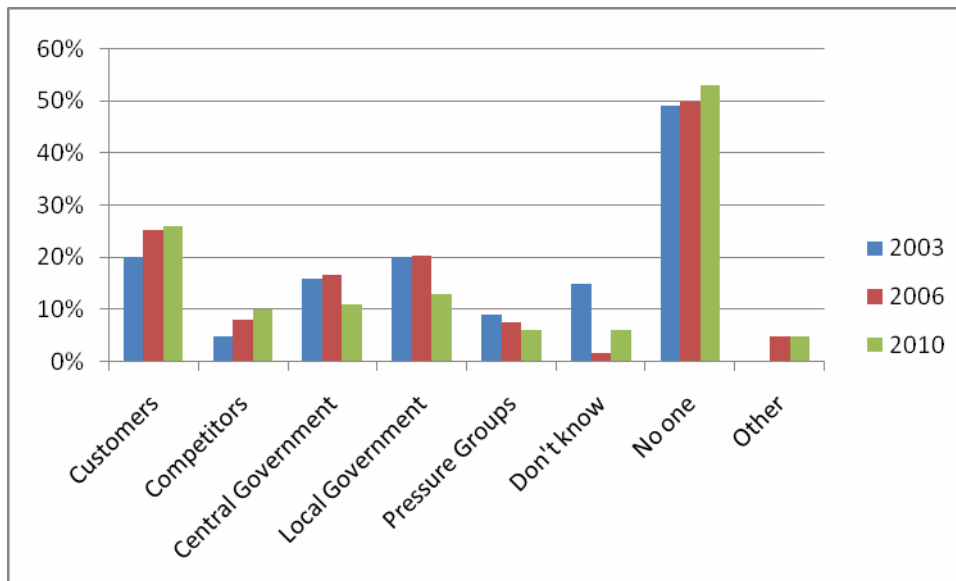
**Figure 7: Environmental Practices of SBN Companies, 2006 – 2010**

*Drivers and barriers to the adoption of sustainability practices.*

To get a better understanding of why environmentally sustainable practices are adopted or not, the survey included questions on drivers and barriers: are companies receiving internal and/or external “pressure” to improve environmentally; and what motivated or prevented companies from adopting sustainability practices?

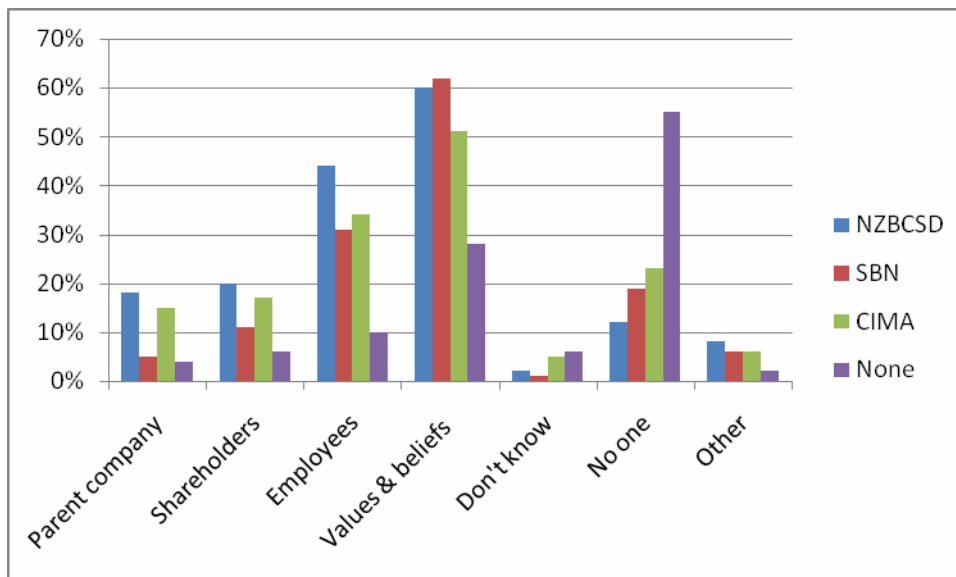


**Figure 8: Internal Pressure to Improve Environmentally, 2003-2010**

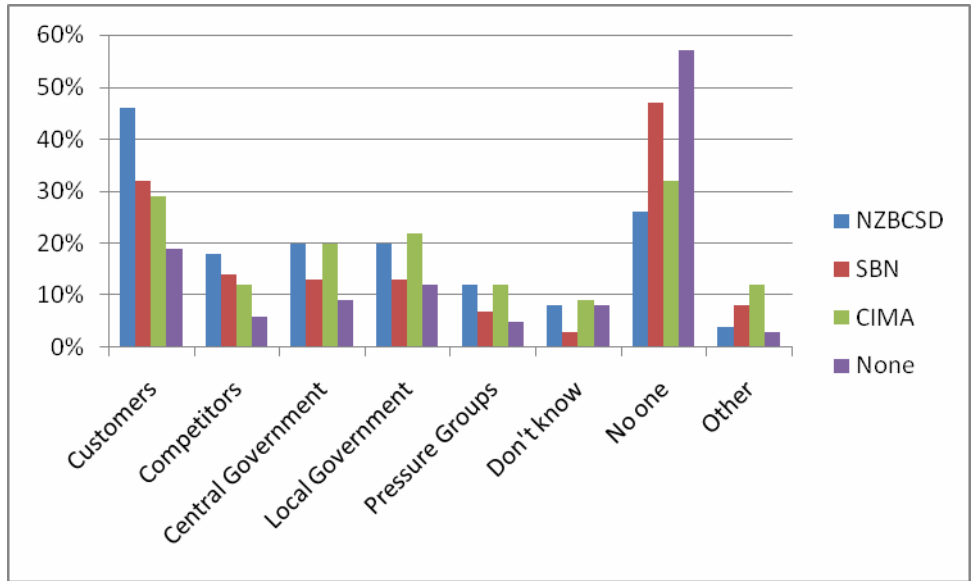


**Figure 9: External Pressure to Improve Environmentally, 2003-2010**

The biggest increase was external, with slight increases in companies feeling pressure from customers and competitors. With the passage of the emissions trading scheme and the resistance to the legislation by a lot of businesses, we expected companies to report increased pressure from government, but in fact, companies reported a decrease in pressure in 2010 compared to earlier surveys.

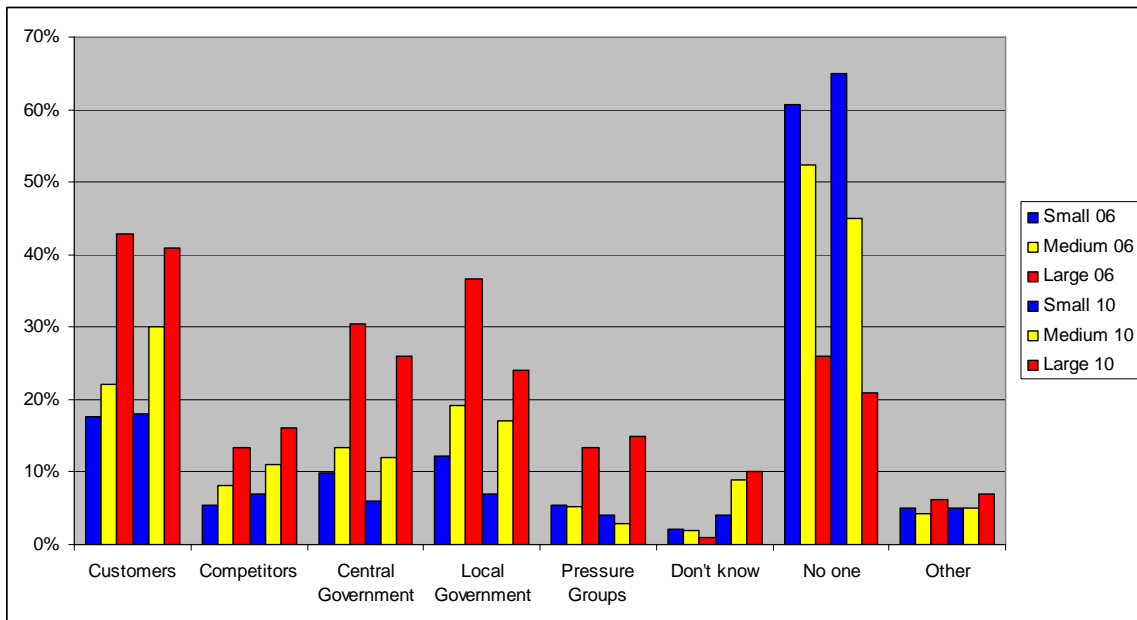


**Figure 10: Internal Pressure to Improve Environmentally By Affiliation, 2010**



**Figure 11: External Pressure to Improve Environmentally By Affiliation, 2010**

Figures 10 and 11 show the results sorted by affiliation. It is clear that the companies with no affiliation, who we reported earlier as being less engaged in environmental practices, feel less internal or external pressure to adopt these practices. On the other hand, 46% of NZBCSD respondents report feeling pressure from customers. NZBCSD members tend to be larger companies, many of whom operate directly in international markets. The link between company size and external pressure is supported by figure 12, below.

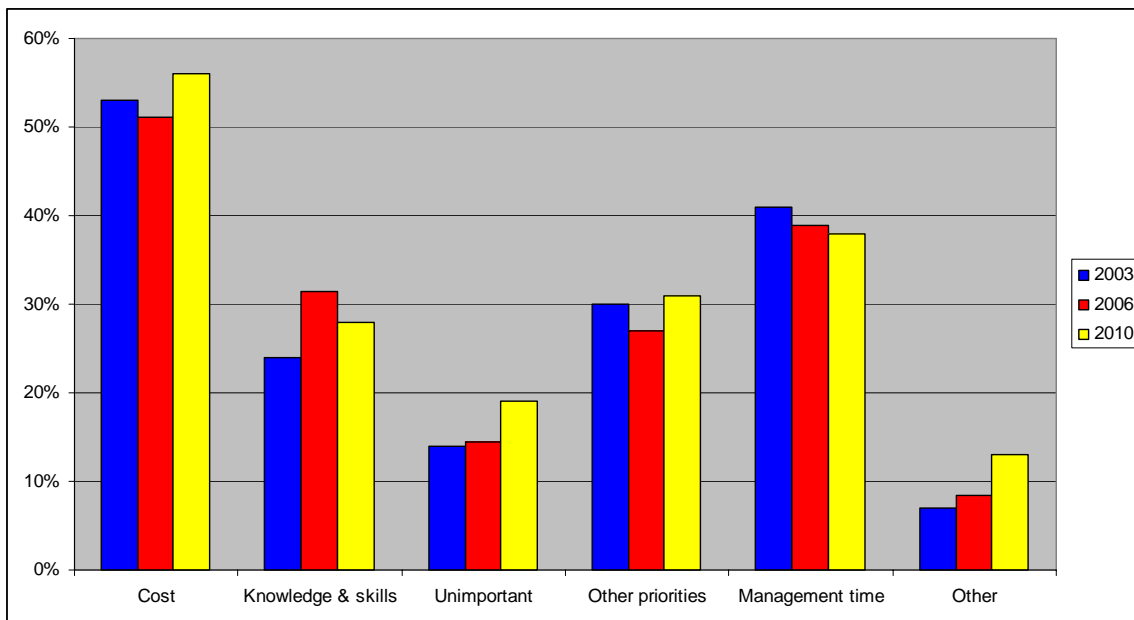


**Figure 12: External Pressure to Improve Environmentally By Firm Size, 2006 – 2010**

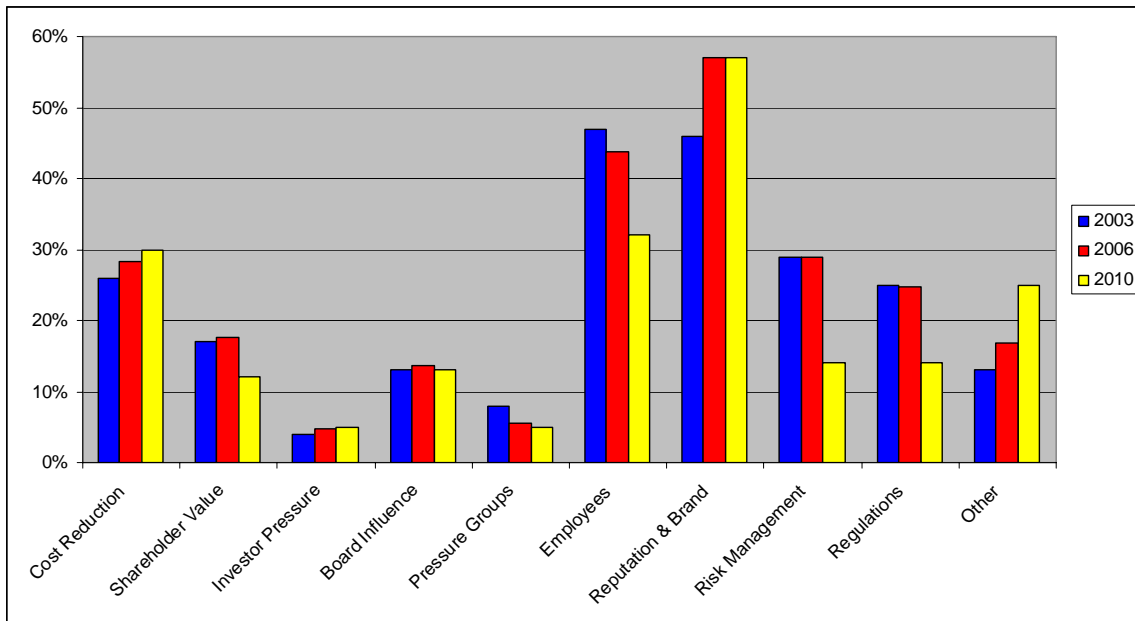
### Drivers and Barriers

Cost was reported as the most common barrier (56%) to adopting sustainability strategies. However, cost was also reported as one of the top drivers (30%). This result reflects the complex nature of the perceived costs and benefits related to sustainability, which fundamentally links to the degree of acceptance of the ‘business case’. Companies can often get quick payback from some sustainability strategies. For example, investing in an energy audit and making the necessary changes to save energy can lead to immediate savings to the bottom-line. However, extensive capital investment, for example installing solar panels, may have positive long-term financial benefits, but may be too costly in the short-term for most firms to adopt.

Figures 13 & 14 show the changes in drivers and barriers from 2003 to 2010. There might be a presumption that there are increased barriers to adopting sustainability strategies during a recession, but the fluctuations are only minor. For example, cost being cited as a barrier only increased 5% from 2006 to 2010. Similarly, there are not many differences in drivers, with reputation and brand continuing to be a strong driver. There is an overall downward trend in most of the drivers with a 15% drop from 2006 to 2010 in companies citing risk management as a driver, followed by a 12% drop for those same years for employees as a driver and 11% decrease for regulations.



**Figure 13: Barriers to Adopting Environmental Initiatives, 2003-2010**



**Figure 14: Drivers to Adopting Environmental and Social Initiatives, 2003-2010**

## Discussion

As a longitudinal study that spans times of economic growth and recession, the survey results presented in this report are set to have significant impacts, both in practical terms as well as theoretical. The implications are important for businesses as well as for governments, nationally and internationally. For New Zealand, the results also have long term implications for the nation's international sustainability positioning.

If New Zealand business, overall, does not buy into the business case for sustainability – ie does not see the economic benefits, then getting beyond compliance is difficult. Indeed, New Zealand business is often a strong lobby to government for reduced levels of regulation and compliance for business. We saw clear evidence of this with the efforts of New Zealand Labour Government of 1999-2008 to develop a sustainability agenda, which was seen as increasing costs and reducing economic growth opportunities by interfering with market mechanisms. The evidence is that in New Zealand there is now a divide in acceptance of the business case for sustainable development, with the recession either being seen as an added incentive to innovate and profit from a leadership position, or as an argument for entrenchment of traditional economic paradigms. To illustrate this, cost has consistently registered as the primary barrier to adoption of environmental sustainability initiatives while at the same time cost reduction continues to grow as a driver for sustainability initiatives. This response is entirely consistent with Beck's analysis of the

politics engendered by ecological modernisation: those who see and seize the economic advantage of change vs. those who do not and who want to maintain a traditional scenario of business as usual.

While New Zealand industry has been ready to accept and indeed profit from the country's clean, green branding, as seen in the continued upward trend in sustainability-based marketing, it would appear that there is a lack of connection in people's minds between the sustainability positioning, the country's actual performance, consumer perceptions, and their long term value to New Zealand. In spite of the high value placed on reputation and brand, maintaining the integrity of the brand does not appear to be a collective priority.

Reputation and brand has consistently rated at the top driver for adoption of sustainability practices. However, the survey shows that rates of reporting on those practices are very low, although higher for large firms than for smaller ones. It will not be by coincidence that the NZBCSD, comprising predominantly large companies, requires its members to produce sustainability reports. A KPMG survey found that 67% of companies internationally reported their greenhouse gas emissions, compared with only 24% in New Zealand (Daniels, 2006). Although motivations for sustainability reporting vary greatly internationally, profile and reputation building certainly ranks highly amongst them. Not reporting leaves New Zealand businesses open to criticism.

For many there appears to be a gap between rhetoric to practice. This lack of connection between branding and practice has been bought to the fore most strongly by the issue of climate change where rhetoric no longer can prevail but concrete and prescribed action is demanded of signatories to the Kyoto Protocol. In a market driven economy, planning is typically short term and profit focused. As long as this is the case, the introduction of national laws to protect the environment is difficult.

An AccountAbility survey reports the paradox of governments being 'paralyzed by the twin fears that the electorate will not support imposed costs or lifestyle changes, and that unilateral action would make their nations uncompetitive', while at the same time businesses 'are starting to develop and market 'climate friendly' products and services, but are constrained by the lack of clear regulations and emissions pricing' (AccountAbility, 2007). Such is the confusion surrounding times of inevitable change where it has not yet become evident to all sectors just where future success and long term viability lie. In post industrial risk societies citizens/consumers are demanding that precautionary measures are taken as protection against potential and already evident environmental and social consequences of

modern technology. The same AccountAbility survey showed that, taken together, 66.4% of UK and US residents think that business needs to take climate change more seriously than it does, while similar numbers wanted governments to take more action on the issue. New Zealand surveys are showing the same trend.

Climate change, along with the other major environmental (and social) problems of the world, is a global issue. It is no longer feasible for nation states to act independently of international opinion. This is especially so of countries like New Zealand that rely on access to global markets. Although consumers' concern about climate change does not yet significantly impact on their purchasing choices (AccountAbility, 2007), as perceptions of risk heighten, this will change. The other, already emerging, scenario is that citizen consumers will put pressure on their governments to regulate for mitigation strategies. Such regulation will inevitably be passed on through the supply chain, making sustainable development a compliance issue. Porritt (2005) states unequivocally that governments must take a legislative role in sustainable development regardless of arguments for market-driven solutions, especially in the face of clear market failure to account for the external costs of production, such as environmental degradation.

Porter & van der Linde (1995) maintain that government regulation can actually increase the profitability of sustainability initiatives. However, in New Zealand, government responses to such issues have varied with ideological leanings as well as economic situation. As stated, the previous government made a commitment to sustainability across all policy arenas. It also made a grant to the SBN of \$750,000 over three years to work directly with businesses, especially SMEs, to develop and implement sustainability programmes. The current government delayed and diluted the ETS and removed the SBN funding, amongst other policies that are seen to favour economic growth over sustainability. In general, a National government is considered to be more business friendly, which could be reflected in the reported decrease in government or regulatory pressure to adopt sustainability practices.

In uncertain times, values can change. Indications are that consumers' values lie increasingly in social and environmental protection. In line with this, global companies such as Marks and Spencer are increasingly demanding sustainability credentials from their suppliers. Thus, New Zealand business needs to be able to both withstand scrutiny in the face of issues such as food miles and to provide consumers with what they value in the hope that it will offset concerns about air miles.

NZ stands to suffer from a loss of legitimacy if it is seen to be failing to live up to the claims of the brand. On the other hand, even without the branding, NZ as a small country has to maintain a viable and niche position for itself that has integrity and so can stand up to the external threats to its economy. Regardless of brand, its producers also have to comply with the growing regulatory framework for climate change mitigation and for sustainability more generally.

\*The authors would like to gratefully acknowledge the funding support of CIMA and the Marsden Fund, administered by the NZ Royal Society.

## References

- AccountAbility (2007). *What Assures Consumers on Climate Change?* London: Author.
- Adam, B., & van Loon, J. (2000). Introduction: Repositioning Risk: the Challenge for Social Theory. In Adam, B., Beck, U. & Van Loon, J. (Eds.), *The Risk Society and Beyond* (pp. 1-32). London and Thousand Oaks: Sage.
- Beck, U. (1992). *Risk Society: Towards a New Modernity* (M. Ritter, Trans.). London: Sage.
- Bendell, J. Collins, E. & Roper, J. (in Press). Beyond Partnerism: Toward a more expansive research agenda on multi-stakeholder collaboration for responsible business. *Business, Strategy & the Environment*.
- Bonini, S., Hintz, G., & Mendonca, L. (2008). *Addressing consumer concerns about climate change*. London: McKinsey and Company.
- Clark, H. (2006). *Address to NZ Labour Party Annual Conference*, Rotorua, New Zealand.
- Clark, H. (2007). *Prime Minister's Statement to Parliament*, Wellington, New Zealand.
- Clemens, R., & Babcock, B. (2004). *Country of origin as a brand: The case of New Zealand lamb*. MATRIC Briefing Paper No. 04-MBP 9, Midwest Agribusiness Trade Research and Information Center, Ames, Iowa.
- Collins, E., & Lawrence, S. (2005). Sustainability practices of New Zealand business - A survey. *The Corporate Citizen*, 5(3), 22-23.

- Collins, E., Lawrence, S., & Roper, J. (2007). Sustainability Practices of New Zealand Businesses in 2006. Waikato Management School  
[www.management.ac.nz/sustainabilityreport](http://www.management.ac.nz/sustainabilityreport).
- Collins, E., Roper, J. & Lawrence, S. (in Press). Sustainability Practices: Trends in New Zealand Businesses. *Business Strategy & the Environment*.
- Collins, E., & Roper, J. (2005). Strategic schizophrenia: The strategic use of trade associations in New Zealand. *Journal of Communication Management* 9 (3), 256-266.
- Cumming, G. (2010, January 6). New Zealand: 100 per cent pure hype. *New Zealand Herald*. Retrieved from [www.nzherald.com](http://www.nzherald.com) on 29<sup>th</sup> April, 2010.
- Daniels, C. (2006). Companies Coy on Eco-Management: Sustainability measures should be reported so as to attract funds. *The New Zealand Herald*, 16 January. Retrieved from [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=10363823](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10363823) (accessed 17 July, 2009).
- Day, R. & Arnold, M. (1998). The business case for sustainable development, *Greener Management International*, 23, 69-92.
- Dinnie, K. (2008). *Nation Branding: Concepts, Issues, Practice*. Oxford: Butterworth-Heinemann.
- Dunphy, D., Griffiths, A., & Benn, S. (2007). *Organizational Change for Corporate Sustainability* (2nd ed.). London & New York: Routledge.
- Gerstenfeld, A. & Roberts, H. (2000). Size Matters. In R. Hillary (Ed) *Small and Medium-Sized Enterprises and the Environment* (pp. 106-118). Sheffield: Greenleaf.
- Gnoth, J. (2002). Leveraging export brands through a tourism destination brand. *Brand Management* 9(4-5), 262-280.
- Hart, S.L. & Milstein, M.B. (1999). Global sustainability and the creative destruction of industries. *Sloan Management Review*. 41(1), 23-33.
- Kotler, P., & Gertner, D. (2002). Country as brand, product, and beyond: A place marketing and brand management perspective. *Brand Management* 9(4-5), 249-261.
- Margolis, J., Elfenbein, H. A., & Walsh, J. (2007). Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance. Retrieved from <http://stakeholder.bu.edu/Docs/Walsh,%20Jim%20Does%20It%20Pay%20to%20Be%20Good.pdf> (accessed 23 April, 2009).

- Ministry of Economic Development. (2009). *SMEs in New Zealand: Structure and dynamics*. Wellington, New Zealand: MED.
- Morgan, N., Pritchard, A., & Piggott, R. (2002). New Zealand 100%, Pure. The creation of a powerful niche destination brand. *Brand Management* 9(4-5), 335-354.
- NZ Energy and Environment Business Week (2008). National-Act Coalition Deal Puts Emissions Trading Legislation on Hold. Media Information Ltd. Retrieved from <http://nzenergy-environment.co.nz/home/free-articles/national-act-coalition-deal-puts-emissions-trading-legislation-on-hold.html> (accessed 27 April, 2009).
- Pearce, F. (2009, November 12). New Zealand was a friend to Middle Earth, but it's no friend of the earth. *The Guardian*. Retrieved from [www.guardian.co.uk](http://www.guardian.co.uk) on April 29<sup>th</sup>, 2010.
- Piggott, R., Morgan, N., & Pritchard, A. (2004). New Zealand and *The Lord of the Rings*: leveraging public and media relations. In Morgan, N., Pritchard A., & Pride, R. (Eds.), *Destination Branding: Creating the Unique Destination Proposition* 2nd ed., (pp. 207-225). Oxford: Butterworth-Heinemann.
- Porritt, J. (2005). Locating the Government's Bottom Line. In Henriques, A. & Richardson, J. (Eds.), *The Triple Bottom Line: does it all add up?* (pp. 59-69). London: Earthscan.
- Porter, M., & van der Linde, C. (1995). Green and Competitive. *Harvard Business Review*, September-October, 120134.
- Saunders, C., Barber, A., & Taylor, G. (2006). *Food miles - comparative energy/emissions performance of New Zealand's agriculture industry*. Monograph No. 285. Lincoln, NZ: AERU.
- Shrivastava, P. (1995). Ecocentric management for a risk society. *Academy of Management Review*, 20(1), 118-137.
- Shrivastava, P., & Hart, S. (1995). Creating sustainable corporations. *Business Strategy & the Environment*, 4,154-165.
- The Economist. (2010, March 23). It's not easy seeming green, a backlash to New Zealand's vow of purity. *The Economist*. Retrieved from [www.economist.com](http://www.economist.com) on April 29<sup>th</sup>, 2010.
- Willard, B. (2002). *The Sustainability Advantage*. Gabriola Island, British Columbia: New Society Publishers.