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## Westpac Australia and the Cape York Indigenous Partnership

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## **Global Compact Learning Forum Business Case Study<sup>1</sup> Westpac Banking Corporation**

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<sup>1</sup> Disclaimer: Dr Leeora Black of the Australian Centre for Corporate Social Responsibility prepared this GCLF Business Case Study as a learning document and not to indicate effective or ineffective practices.

## Case Abstract

This business case study analyses the engagement of Westpac Banking Corporation with the principles of the Global Compact and its overall "journey" towards better corporate citizenship. Westpac joined the Global Compact in January 2002 following a tumultuous period for both Westpac and the Australian banking sector in general. Certain events during this difficult period served as catalysts for change in Westpac's corporate citizenship, and this study examines these catalysts both before and after Westpac joined the Global Compact. The study then addresses how Westpac has responded to the first of the Global Compact's principles, that businesses should support and respect the protection of internationally recognized human rights. The case study explores the question, "How does Westpac learn about human rights?" through examining a unique partnership with indigenous communities in Cape York, the north-east tip of Australia. The case study aims through this analysis to provide a useful example of how Global Compact members and other corporate citizens can interpret and apply the Global Compact's core values in the area of human rights.

## Method and actors

This case study is based on interviews with seven Westpac personnel and one external stakeholder, and the author's independent research. The interviews were carried out from July to September 2004. The interview participants were:

Mr. Leon Davis, Chairman;  
Dr. David Morgan, Chief Executive Officer;  
Ms. Ann Sherry, Chief Executive Officer Westpac New Zealand;  
Dr. Noel Purcell, General Manager Stakeholder Communications;  
Mr. Graham Paterson, Head of Regional Community Partnerships;  
Mr. Vit Koci, Manager, Westpac's Cape York Partnership;  
Mr. Craig Andrikonis, Business Banking Manager, Tasmania; and  
Mr. Michael Winer, Chief Executive Officer, Indigenous Enterprise Partnerships (external stakeholder).

## Analytic framework

This case study first presents a brief company profile and account of the key historical events providing the background for the case study. It then provides a chronological account of changes in Westpac's overall approach to corporate citizenship, including adoption of the Global Compact. These changes are generally described as Westpac's "corporate citizenship journey". The study describes a key element in this corporate citizenship journey, namely a partnership designed to ameliorate human rights problems among indigenous communities of north-eastern Australia. In examining the partnership, the case study draws heavily on interviews with key participants and uses wherever possible their perspectives and words to describe the key drivers, processes and challenges involved in the project. The case presents outcomes, impacts and future challenges from the perspectives of those interviewed for the case study.

In examining Westpac's corporate citizenship journey and internalization of the Global Compact principles, this case study applies two distinct but linked analytical frameworks. The first of these is provided by the Global Compact Learning Forum's Performance Model (GCLF, 2002). This framework structures analysis under the following headings: Vision, Enablers, Results, Reporting.

This second framework is taken from a study of another firm's organisational transformation (Zietsma, Winn, Branzei, & Vertinsky, 2002). Zietsma et. al. describe how organisations can develop new solutions to old problems by Attending, Experimenting, Integrating, and Institutionalizing. This process is "a primary mechanism for organisational adaptation" (Zietsma et al., 2002, p. S62). In this organisational learning model, individuals are able to "Attend" to alternative points of view not previously heard within the

organisation. These individuals are able to convince others of the legitimacy of their views and institute "Experiments" that allow participants to interpret and make sense of new goals and ways of working. The new learning is "Integrated" when agreement is reached about how power and resources will be allocated in the new way of working. Our combined analytical framework examines how Westpac as a company learns about human rights, using Zietsma's process to show how Enablers develop a Vision and achieve Results.

## Company profile and key events

Westpac is a full-service bank headquartered in Sydney. It is Australia's tenth largest company by revenue<sup>2</sup> and one of its four largest banks, with 27,000 employees, 8.2 million customers, 226,000 shareholders and global assets of AUD\$245 billion in 18 countries. Its core business lines are business and consumer banking, corporate and institutional banking, and wealth management (mutual funds).

Established as the Bank of New South Wales in 1817, the Bank's original purpose was to create a stable local monetary system to replace bartering practices in which rum was the principal lubricant of early colonial Australia's economic activity. An early history of the Bank said: "It is generally conceded that the establishment of the Bank saved the Colony from ruin" (Anonymous, 1936: 10). Throughout the 19<sup>th</sup> century the Bank expanded by supporting goldminers, graziers and urban growth in country towns and capital cities. It established its first international office in London in 1853. Its early history established the Bank's identity as a positive force in Australian society, especially in rural areas (Black, 2004).

In 1945 the federal government moved to regulate the banking industry<sup>3</sup> through the Commonwealth Bank Act and Banking Act, which vested control over lending and investment policies with the government. Banks effectively became instruments of government social and economic policy (Maine, 2000: 4). Community expectations that banks should contribute to social and economic development were reinforced during this era.

The Bank of New South Wales grew to become a "colossus" of the finance industry (Carew, 1997) and in 1982, the Bank of New South Wales changed its name to Westpac (short for Western Pacific) to "more truly reflect the Bank's prominent place in this region" (Macarthur, 2001: 23). By the time the Australian banking system was deregulated in 1983, the Bank had developed an "overweening pride in its leading position in Australian banking and was a self-satisfied, even arrogant institution" (Carew, 1997: 8).

By 1990 Westpac entered a period of crisis. Losses in the Bank's finance company subsidiary, AGC, ballooned as Australia began to enter a recession. In 1991 Westpac's image was severely tarnished by the "Westpac letters affair" (Carew, 1997). The letters were legal documents relating to alleged mismanagement of a client's affairs in one of its subsidiaries that had been leaked to the media by a disgruntled former employee. Westpac attempted to use legal process to keep them from being published. This served to focus public attention on the Bank's lack of transparency. Eventually the letters were tabled in Parliament and the affair became one of the issues considered by a Parliamentary banking industry inquiry into the consequences of the first decade of bank deregulation (the "Martin Inquiry").

In 1992, Westpac posted its worst financial result ever. Financial recovery meant "shrinking for survival" (Carew, 1997: 416). Employees were reduced over the next decade from 46,600 to 25,000. Australia's four biggest banks, including Westpac, collectively closed around 1,300 branches during the 1990s (Maine, 2000). The rural sector, which had formed the backbone of Westpac's early success, was hardest hit, as each rural branch closure reflected and accelerated the economic and social decline in small towns

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<sup>2</sup> BRW 1000 list, November 11, 2004

<sup>3</sup> The Bank had been previously regulated by the state-based "Bank of New South Wales Act 1850" of the New South Wales Parliament.

(Maine, 2000). Community and employee criticism mounted and by 1998, Westpac became the target of highly publicised activist protests.

That year, Westpac began its corporate citizenship journey by acknowledging in its annual report the depth of public criticism and pledging to become more responsive to customer and community concerns (Westpac, 1998). In 1999 David Morgan became CEO and in 2000 Leon Davis became Chairman. The new leaders were committed to continuing the corporate citizenship journey.

By 2002, when Westpac joined the Global Compact, it had issued its first social impact report, was rated the world leader of the banking sector on the Dow Jones Sustainability Index, and supported over 300 charities through its employee volunteering and matching gift program (Westpac, 2002b).

## Catalysts for Westpac's Journey 1990 – 2002

### *Financial and reputational crisis, 1990 - 1992*

Westpac has experienced significant change since Westpac's Head of Regional Community Partnerships, Graham Paterson, first joined the Bank in 1970. "Back then, it was certainly viewed as a very stable and respected business in the community. I can remember my father introduced me to the local bank manager and said that that's the place I should work. If you get a job at the Bank, you've got a job there for life", he said. The Bank at that time employed few women, part-time staff, or people from non-English-speaking backgrounds, almost the complete opposite of the employee demographic profile today (Westpac, 2004). "We had a fairly narrow view of what we can contribute ... people mostly saw the social contribution of the bank through its staff, as members of the local footy team or treasurers in the local community or various community groups", said Paterson.

Westpac's management prior to its financial crisis of 1992 was "very old style", according to General Manager Stakeholder Communications, Noel Purcell. The relationship between the Board and the executive management team was also strained. "It was confronting in those days for anybody in the Executive to have to go to the Board. It was a very traditional, hierarchical environment where speaking up on issues was not easy".

In this environment, the Bank announced on 20th May, 1992 a \$1.6 billion loss for the half year, at the time the biggest corporate loss in Australian history. Together with the reputational damage caused by the "Westpac letters affair", the loss sparked a crisis within the Bank's leadership. Purcell described the Bank's response as "a fight for survival". The weakened Bank became a take-over target, and although it survived as an independent business, the instability led to a shake-out of Board members and senior management that put in place the foundations for the subsequent recovery and corporate citizenship journey.

### *Shrinking for survival<sup>4</sup> and public outrage 1993-1998*

By 1993 Westpac had a new Chairman, John Uhrig, and a new Managing Director, Bob Joss, a team that Purcell said "provided a very steady hand ... and a high sense of the right and the wrong". Uhrig inculcated more trust between the Executive and the Board. Joss "was a good manager and knew what had to be done ... he re-built the balance sheet of the group. He sold off troubled parts of the group and exited much of the off-shore business activities and he got the company focused financially. By 1998, our financial health was pretty much restored", said Purcell.

Regaining financial health meant sharp reductions in employee numbers and closing branches (measures taken by all Australia's large banks over this period). Paterson says implementing closures and retrenchments was extremely hard to do. "In that period we almost weren't game to pick up another

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<sup>4</sup> The term "shrinking for survival" is borrowed from Carew, 1997, p. 416.

newspaper to read another bank bashing story. The social situation meant it was almost embarrassing to work with a bank. That wasn't very palatable for the organisation, and it was very difficult for our staff and I think in line with that it also had other impacts in terms of our ability to attract and maintain staff and it had a rub off on the customers, because the customers were leaving the banks and trying to find other solutions", he said.

CEO David Morgan said that by 1998 "we found ourselves in a situation of having made a financial recovery in a short-term sense but really having none of our stakeholders, apart from our shareholders, really coming on that journey. [We realised] that what we had produced was too narrow and too short-term to be sustainable. And that unless we really were delivering for all of our stakeholders, then our licence to operate was under threat".

The dissonance between Westpac's historic role as a pillar of Australian society and its contraction of bank services and employee numbers while simultaneously making massive profits meant that by 1998, "there was public outrage and banks were pretty much page one news constantly. The community was up to their eye balls in what they saw as unethical behaviour of banks"<sup>5</sup>.

In addition to "public outrage" and constant media criticism, Westpac became the target in 1998 of environmental protests by The Wilderness Society, an environmental non-government organisation (Anonymous, 1998). Westpac was targeted because of its role in providing custodian and other services to the Jabiluka mine in the Northern Territory of Australia. Jabiluka was a lightning rod for activist protests because it mined uranium<sup>6</sup>, and is located on aboriginal lands within Kakadu National Park, a world heritage listed area. Native title claims, social impact and heritage issues, environmental values and strong opposition to uranium mining formed a powerful impetus for activist action. Westpac's highly visible branch network became a target for activist protests.

Activists demonstrated outside Westpac's branches, and in some cases, inside the branches as well. The protestors "organised days of action and would target multiple branches at the time and they would hand out information or would disrupt branch proceedings, or would in some instances climb on the counter" (quoted in Black, 2004). Streets in the Sydney central business district were "choked" with protestors, heavy police presence, and traffic at a standstill. Newspaper reports of the time said demonstrators chained themselves inside bank branches, unfurled banners from the roofs of Westpac offices, wore head-to-toe protective suits, and handed out edible "yellow cake" (i.e., that looked like cakes of uranium) (Clennell & Howell, 1998; Failes, 1998).

In 1998 the Bank took three major steps to restore its tarnished credibility with employees and the public. First, it acknowledged the depth of public criticism in its annual report and pledged to be socially responsible. It also introduced a landmark new product – the basic banking account, a no-fee account for welfare recipients and other disadvantaged groups. The product had to be carefully developed as it required cross-subsidation from other bank revenues. "We chose to provide limited free banking even though it involved, in effect, a welfare role. The basic banking account was a key event because it helped us to rebuild community trust", said Purcell. The new basic account product was a signal that Westpac was serious about responding to community concerns, but it was just the first step. And third, the Bank announced a moratorium on further branch closures in regional and rural Australia.

### *People, values and experience*

The leaders of Westpac's first steps on its corporate citizenship journey had in common particular experiences and values. The leaders were Chairman Leon Davis, CEO David Morgan, Group Executive for People and Performance Ann Sherry and head of Stakeholder Communications Noel Purcell. From the

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<sup>5</sup> Interview transcript, Noel Purcell, February 2003

<sup>6</sup> Australia has the world's largest reserves of uranium, which are exported for electricity production in other countries. Uranium mining has a long history of opposition in Australia. See Martin, R. 2003. States Exploit Nuclear Worries, *The Australian*: 2.

structural perspective, these people covered key positions in the Bank, with Davis and Morgan providing top-line leadership and Sherry and Purcell between them managing the Bank's core internal and external stakeholder groups. These people were in the right places and had the power to implement change. However, position and power are not of themselves sufficient catalysts for a corporate citizenship journey. In the case of Westpac, the experiences and values of this core group made them more able to attend to new signals in Westpac's environment than for example, the management team of a decade earlier.

The three key executives had all joined Westpac after high-level careers in the public sector working for government departments and agencies. Davis, as a former managing director for the global mining giant, Rio Tinto, brought deep experience in indigenous relations and well understood the need to "see that right is done". He was a receptive and powerful ally for senior managers with a big change agenda.

Purcell joined the Bank in 1985 after a senior role in the Department of Prime Minister and Cabinet. Morgan followed in 1990 from the Federal Treasury after earlier working for the International Monetary Fund. Sherry arrived in 1994 after leading the Government's Office of the Status of Women in the Department of Prime Minister and Cabinet.

Morgan considers it no coincidence that the three executives driving Westpac's corporate citizenship journey shared a public service background. "People are drawn to the public service to change society in a beneficial way. That's what you're there for. We had been in our own ways a part of a revolution in Australia and this big shift in power away from the government sector to the private sector. A lot of power shifted to the private sector. We then saw an opportunity to have that same big beneficial influence on society through some of the major private corporations in this country". Morgan was thus sensitive to the responsibility that attends power.

Sherry believes the skill-set delivered by public service experience was critical in learning to appreciate the need to respond comprehensively to public and employee concerns. "The things I learned when I worked in the government are that we can't afford to ignore small groups of people just because they're small groups. They can have as much and often a disproportionate political clout. Secondly, most people in the community do have a sort of basic sense of decency and fairness. The third thing I learned about stakeholder management is that you ignore developing issues at your peril. So access to services in remote communities was a developing issue that was happening in the broader community. You've got to have the radar on all the time".

These values and skills underpinned the next steps of the corporate citizenship journey begun by Westpac in 1998. Purcell had become convinced that the solution to the Bank's reputational problems lay not in explaining or communicating, but in winning back the trust of employees through behaving in a manner consistent with the Bank's own stated aspirations. He believed employees had mentally "jumped the counter" to identify more strongly with customers than with their employer (Black, 2004). "We had to break through", he said. "We had to win back the trust of our own people. The staff knew the story ... the community was reading us correctly. The biggest gap wasn't between the perceptions of what people thought we were doing and what we were actually doing, but between what we aspired to do and what we were actually doing. Things like that we care deeply about rural communities ... our actions in closing branches were not consistent with caring deeply about rural Australia". .

Morgan, an architect of the banking industry deregulation during his time in Treasury, now faced the consequences of the Bank's response to deregulation. "That was particularly poignant for me. I'd played a major role in deregulating the financial services industry in Australia ... and then, years later, found myself as Chief Executive with our staff pretty low in commitment, having suffered a lot through the downsizing of the 90s, customers really feeling very disenchanting with the major banks, and the community in uproar through branch closures, staff lay-offs, and fee increases. I saw our social licence to operate in a deregulated system at risk", he said. "Our people wanted the company to stand for something more than simply making money for shareholders. They wanted to be part of a company that was run according to a decent set of values - responsible, ethical, trustworthy".

Sherry took the view that Westpac had to “pull out of the pack”<sup>7</sup> and “do something that actually did differentiate us from what was happening in the industry”.

Davis shared Morgan’s belief that deregulation brings “a responsibility to ensure that that power is used properly”. “It (corporate citizenship) was something that people were thinking about ... people were waiting for leadership or a clue to say hey, this what we are all about, and it was the easiest change I ever had to do”, he said.

### *Signalling change*

In 2001 Westpac established a social responsibility committee on its Board. Davis, the then Board Chairman, initiated the committee to signal to managers and employees the status of social responsibility as an issue for the Bank. “To have a committee of the Board concerned with that right up there with the audit committee, with the credit and market risk committees, with the remuneration committee, with the nominations committee, states that the Board thinks social responsibility has equal status as all the other traditional important issues”, he said. The new committee effectively institutionalised concern for social responsibility in the Bank. Employees were “liberated” when they realised that social responsibility “was in line with how they should behave as a ... hard-nosed business person”.<sup>8</sup>

### Signing the Global Compact, January 2002

In 2001 Westpac issued a social charter (statement of principles) called “We believe in ...” which set out a series of commitments against which its subsequent social reports reported progress. It stated the Bank’s commitment to the United Nations Universal Declaration of Human Rights and recognised indigenous rights. It stated respect for the rights of employees and described how the company would care for the environment. In short, the three focal areas of the Global Compact, human rights, labour relations and the environment, were addressed in this document, even though the Global Compact was not specifically mentioned.

In the months before issuing the social charter, Purcell had been looking at what other leading companies were doing. About the Global Compact, he asked himself, “Why shouldn’t we? The Global Compact principles were easy for us to adopt. The vast majority of it was already in our policies but hadn’t been put together in that form”. In January 2002, Davis wrote to the UN Secretary General, Kofi Annan, to formally commit Westpac to the Global Compact.

Although the decision to join the Global Compact was easy, it represented a new step in Westpac’s corporate citizenship journey. Purcell said “it’s deliberately raising the bar. We are very conscious that we do not sign up for stuff that we are not prepared to honour and deliver. The Global Compact represents a values-driven approach rather than a compliance-driven approach so it helps us make decisions when there’s no legal yes or no. It’s made it easier for us, for example, to commit to increasing indigenous employment. Staff also needs a basis for questioning behaviour. The social charter was a healthy basis to start from, but the more we commit to principle-based things the more it will embed and sustain them. The Global Compact reaffirms where we are and what we’re doing”.

Morgan says the Global Compact acts as an endorsement for the company’s values and gives “authority and legitimacy to those companies who are trying to go down that road in terms of human rights and labour relationships and the environment and anticorruption and fundamental, deep concern with doing the right thing”. Sherry sees the Global Compact as “opportunity to test ourselves against what happens in other places” while Davis values the opportunities to learn from and share with other participants.

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<sup>7</sup> Interview transcript, Ann Sherry, April 2003.

<sup>8</sup> Interview transcript with Westpac employee, March 2003.

## Cape York Indigenous Partnership, 2002-present

While Purcell in his role made significant progress in 2001 on defining and refining Westpac's corporate citizenship principles and commitments, at the same time Sherry, who was by then CEO of Westpac's subsidiary, The Bank of Melbourne, started to consider indigenous issues in greater depth. Westpac had long-standing business in the Northern Territory and had developed some expertise in providing financial services to remote, indigenous communities. In response to public criticism of its withdrawal of rural banking services it established a Regional Banking group in 1999 to more effectively manage regional issues and services (Westpac, 2002a). Westpac had also previously sponsored or participated in several programs to support indigenous communities<sup>9</sup>. Sherry's next move therefore came against a background of growing organisational responsiveness to regional and indigenous issues.

Sherry joined a group of business people who visited far North Queensland in 2001 at the invitation of local aboriginal communities and the aboriginal leader, Noel Pearson. Cape York is among the most remote and poorest regions of Australia (see appendix 1). Sherry's attendance at the Cape York meeting was to be a vital step to Westpac's unfolding corporate citizenship journey. She listened closely at that meeting to Noel Pearson, an influential leader who argues against passive welfare dependency. Born and raised in Cape York, Pearson's book, "Our right to take responsibility" (2000) laid out a vision for aboriginal recovery which inspires the partnership between Cape York communities and several businesses<sup>10</sup>, including Westpac, run by the organisation Indigenous Enterprise Partnerships (IEP).<sup>11</sup>

"At that meeting it was obvious that there needed to be a different way", said Sherry. "You can't go into those communities and walk away thinking that it's okay for a very affluent society like ours to have people who live on rubbish tips. It looked worse than lots of the third world images that we get ... Those things happen in our own backyard, but it's very invisible. So the visibility of that prompted action, and at that forum a group of us said why don't we come together and see if there was a different way".

Sherry established Westpac's Indigenous Working Group to give focus and profile to the range of indigenous relations initiatives and sought internal allies for an ambitious partnership project with IEP. She found ready allies in Davis, Morgan and the then head of the retail banking division, David Clark.

Describing how she introduced the idea of the Cape York partnership at Westpac, Sherry said, "I was probably senior enough just to ram it through myself, but it needed broader support than just me, because otherwise it's not sustainable inside the organisation. So I got support from David Clark, who at that time was running the retail bank. Between us we had sufficient influence and authority to make sure it worked across the organisation. Leon Davis, the Chairman, got engaged. He certainly understood the community engagement piece of it, and Noel Pearson, he had respect for Noel. The other way I got people on board was to bring Noel Pearson down and have him talk to people. You can't go away from one of those sessions and not think that we have an obligation to do something different. He talked about the role, the dysfunctional elements, how dislocated this community was and he radiates the capacity for doing something different".

In 2001, Westpac agreed to a partnership with Cape York aboriginal communities that has been its most significant partnership to date to address human rights issues.

### *The mind-set for participation in the Cape York Indigenous Partnership*

The Cape York Indigenous Partnership was authorised by the Bank's leadership and senior management because they viewed it as an opportunity to simultaneously address severe issues of inequality in Australia

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<sup>9</sup> Noted in "Memorandum to the Board Social Responsibility Committee", 17 April 2003.

<sup>10</sup> Other business participants include The Body Shop and Boston Consulting Group.

<sup>11</sup> Sherry is now a director of IEP.

and use the Bank's unique skill set to maximise its impact on society. Morgan explained, "We could have a far greater leverage by giving a million dollars worth of our executives' time to teach a set of financial skills to certain individual households or indigenous small business enterprises. That would have a magnified impact vis-a-vis simply handing over a cheque for a million dollars".

Davis liked it because it showed employees that Westpac was thinking about its responsibilities as a corporate citizen. "It's important for our development of our culture and it is making people proud to be working in our organisation and that has a spill-over with our interface with customers. I think the employees are going to be better representatives to our customers than they would have been before this experience", he said.

The Cape York partnership is based on a different way of thinking about the Bank's relationship with society. CEO of Indigenous Enterprise Partnerships, Michael Winer, says the Cape York project requires corporations to "dismount from their white horses" and change their thinking from a philanthropic mind-set to a capacity-building mind-set that puts local communities in charge.

"Cape York was covered in white-elephant businesses that were hardly a very good idea or the aspiration of the aboriginal community. It was usually ... someone that was visiting that said 'hey you need a prawn farm' or ... 'we should go and save the kids from petrol sniffing'. How this program is fundamentally different is people have said 'no, we're going to put the aboriginal people in control and we're going to support *their* initiatives and we're going to help build *their* capacity to deliver programs, we're not going to go and deliver a program *for* them' and that's a big shift in thinking, it seems really obvious and simple now but at the time very few people were doing that".

Sherry wanted the partnership to be a meaningful way to address indigenous inequality. "We tinkered with it at the margin ... but we've done one-off things. We haven't fundamentally changed what was possible ... it's not a natural space for corporations to think about human rights issues that are often on the fringes of communities in which we operate", she said.

A process of active listening and dialogue with indigenous communities enabled the communities to describe their needs and establish their own strategy for improving their circumstances. Sherry spent a year attending meetings with indigenous communities. "Now, that's quite a tortuous process for people like me", she said. "I'm in action mode all the time and sitting back and listening and trying to work through problems that are multi-generational, that have their genesis, some of them 100 years ago, and that require long-term investment, they're not easy conversations to have and they're certainly not easy to sit and listen to".

Westpac decided to focus on two programs related to family financial management and small business development in response to hearing directly from indigenous communities about their needs. "They had already thought about things like the fact that nobody understood how to read any bills or save any money", explained Sherry. You can't build an economy in a remote area if people don't know how to work money, and that's our business. If all the businesses that start fail, you can't build a sustainable community", she said. But the early days of the partnership were experimental. Sherry said, "Let's just do it and see if we can make that work".

### *Westpac's commitment to the Cape York project*

Westpac is partnering with two Cape York organisations, Indigenous Enterprise Partnerships and Balkanu, to participate in two programs delivered in 16 communities. The programs are

- Family Income Management, which works with families and clan systems to help them develop family or individual budgeting skills to cover short, medium and long term financial needs.
- Business Facilitation, which provides support for financial and business management such as feasibility analysis of either new business proposals or existing businesses.

In mid 2003 Westpac also commenced supporting the Computer Culture Project (now known as Every Child is Special Project). Computer Culture aims to have Aboriginal school children as part of their school curriculum, capture and record Aboriginal culture using digital technology. The cultural aspect is seen as the key to engage the students and their families with the education process.

The partnership supplies 50 people a year from Westpac's workforce to work for a month-long period with indigenous communities on one of these projects. Westpac meets the salary, travel and accommodation costs as well as payment of a modest allowance. A full time-time manager, Vit Koci, is based in Cairns. He recruits and manages Westpac's volunteers and liaises with local organisations on behalf of the Bank. In addition, several people have participated in year-long fellowships. During this time, Westpac shares the cost of their salary and travel with the aboriginal organisation they are assigned to.

The IEP's Chief Executive Officer, Michael Winer, says Westpac provides "the foot soldiers" for the program, but also "brings main-stream economic thinking to combine with Aboriginal economic aspirations and thinking to help our community develop a real economy".

### *Recruitment and induction of volunteers*

Westpac's Cape York Program manager, Vit Koci, has worked for Westpac for 30 years and had extensive regional banking experience prior to beginning the Cape York assignment. He says he is "at pains to ensure that our guys come up here understanding the agenda and not having their own conflicting agenda". The "agenda" is set by the aboriginal organisations with which Westpac partners. "I don't think it's up to white middle class people like me to be setting the agenda for the strategy in aboriginal affairs. The strategy and agenda is set by local aboriginal people and we have a belief that they have the right to set the appropriate agenda to bring about positive change to their circumstances", he said. For example, Westpac calls its volunteers "secondees" rather than volunteers. This is an interesting choice of terminology. The people are "seconded" to work for aboriginal organisations, but they must also while on the program place themselves mentally "second" to the aboriginal communities they work in.

Recruitment criteria place a heavy emphasis on attitudes and aptitude of volunteers and recruitment and induction processes aim to weed out those who cannot embrace the mind-set required and ensure those who participate "are going to get into the environment and into relationships that exist in various organisations that we work with".

Presentations to groups of Westpac employees are supported by an intranet site that outlines the selection process, skills required for each of the programs, and mandatory reading material. Increasingly, word-of-mouth from returned volunteers drives new applications. Currently, around 280 people have applied for a one-month position.

Purcell says the program is widely supported by managers who must give permission for their employees to be away for a month. "When the next 20 go up, we've got 20 holes in the organisation, and we've got to match all those positions or make do without them, while they're up working in the Cape. But no one

is pulling away from that program, and we've still got a queue a mile long of people wanting to go", he said. According to Paterson, the program is popular with employees because "it's an opportunity for a lot of our staff to step into the unknown, to challenge themselves and learn a lot more", he said. "There's a lot of positive feedback that comes from our staff. They get very, very involved and it is a life changing experience for many of them, and they come back with very positive stories which encourage others to want to get involved themselves", said.

Craig Andrikonis, a Business Banking Manager from Tasmania, has participated in both the one-month and year-long programs. He says he was "excited" by the opportunity and welcomed the chance to "hopefully make a difference". "My view was that the Bank has got the expertise to be able to really help some of the people in these communities and ... believed this was an opportunity to step outside of my comfort zone and experience something different. If my skills could help in some way then that's fantastic".

After obtaining approval from their manager to apply for the program and forwarding their resume and reasons for wanting to participate, participants must go through an extended and intentionally confronting interview run by Koci.

Andrikonis said he was given a number of extreme, hypothetical situations and asked how he would react. "It wasn't around the knowledge factor, being able to write business plans or understanding balance sheets, it was really around personal situations and how you would react to them", he said. The hypothetical situations typically deal with family conflict, breakdown and problems arising from alcohol abuse. "If you were sitting in the interviewer's chair you can get an idea of who would be suitable, through their responses, to come up and work in an environment like Cape York. You need to know that whoever goes up there has the capacity to be able to cope in potentially very difficult situations", he said.

Once accepted, volunteers are rostered into groups of 12 that rotate through the dry season (April – October) as during the wet season roads in the Cape are impassable. Each volunteer completes an intensive mandatory pre-reading program that includes a community profile and local economic strategies, Noel Pearson's book<sup>12</sup> that outlines the philosophy underpinning the partnership, alcohol and substance abuse management plans and strategies, and guidelines published by aboriginal groups on how to consult with aboriginal people. Groups fly to Cairns to begin their induction program run by Koci and the aboriginal groups. Cultural sensitivity training is a key feature.

The groups are then ready for their journey to the Cape, a two-to-three day overland drive during which the group camps out and begins to bond as a team. They then break into smaller groups or pairs to begin their assignments in one of the 16 communities.

### *Working for indigenous communities*

The early days of Westpac's volunteer program were experimental, according to Sherry. For example, the decision to send volunteers for a month was a trade-off between having people in the Cape long enough to make a difference, but not so long that it would be too disruptive for individuals or their work groups. "We knew we were putting people in quite different personal circumstances. We weren't sure how they would cope ... in some cases very rough conditions that people went to live in, way outside their comfort zone, and we had to balance people's safety as well on that. And the final thing that we had to balance was the capacity of the Cape to manage them", explained Sherry.

The first group to go up faced an unexpected problem in its first week. One of the communities that Westpac had previously had no contact with, Wujal Wujal, went into liquidation. Because assets are community-owned, going broke means virtually all facilities and infrastructure closes down including shops. Westpac immediately moved one of its volunteers from his planned destination to Wujal Wujal.

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<sup>12</sup> Pearson, N. Our right to take responsibility, 2002

"That was actually a good learning for us", said Sherry, "because as much as you try to plan and organise and negotiate with communities how it's going to work ... it's been quite a common experience that something unexpected happens and we have to do something different. That tested our organisational capacity to flex as well as individual capacity to flex".

The Westpac volunteer spent a month working through the community's books and restructured the community's finances. Unused earthmoving equipment was sold; the community got its money back and was able to continue. However, decision-making of this nature is relatively uncommon. Westpac volunteers are required to facilitate and support decision-making by local people, and not take the decisions for them. For example, Andrikonis, who worked for Balkanu in the business development program, said "I saw my role as not simply writing business plans and present them to people, but rather to get people involved throughout the whole process ... and help to transfer skills and knowledge. It's not a matter of going up there and saying, 'tell me about your business idea', then going away for two weeks, writing a business plan and sending it to them. This would be of no real benefit as there is no knowledge or skills transfer which is sustainable. For a business to be sustainable its proponents need to learn and maintain basic business skills and that's what I tried to achieve".

The problems Westpac people work on during their time in the Cape are generally long-standing and complex. Winer says being able to deploy "a critical mass" of people to work on simultaneous projects is a key to achieving progress. "You can't just tackle one issue at a time. The issues are so interrelated and intense that going and just setting up a business is almost dooming that business to failure because of the social surrounds that it's trying to function in. Likewise, if we're not dealing with literacy and numeracy and youth development, who's going to come forward and benefit from these things? If you didn't have family income management you're creating more wealth in the community, where will that money end up being spent? Probably fuelling a greater alcohol epidemic. A crucial element of our program is a critical mass of projects and people supporting indigenous initiatives so that we can tackle the problem on a number of fronts all at once but a coordinated approach so the youth program, social program, the economic program, the health program actually interact with each other". Winer co-ordinates activities by several corporate partners wherein each "takes the baton for a period of time, but it's all facilitated and controlled by the aboriginal people".

#### *Debrief and re-entry to the workplace*

Volunteers have a formal debrief session with Koci in Cairns at the end of their assignments and he stays in touch informally by email after the program. Many volunteers exchange postcards and letters with people they met on their assignments. After returning to work, volunteers are encouraged to make presentations to their colleagues about their experiences. Settling back to work is generally smooth for those who spend a month in the Cape, but for those who spend a year, re-entry can be harder. Andrikonis says he felt that he had changed and had a different perspective on life. He did not feel completely comfortable going back to his old job, and after discussion with his Manager in Tasmania a new role was created for him where he was able to use some of the new skills he developed while working in the Cape. He is now also involved with another indigenous project within Westpac, the Indigenous Capital Assistance Scheme.

#### *Outcomes and impacts*

Two groups are substantially affected by The Cape York project. The first is the Cape York communities. Results are expected to take a long time to show, but Winer says early evidence is pleasing. The successful establishment of a small business in one community has "developed an entrepreneurial understanding and spirit within that community ... there's definitely a mood change happening in communities; there's less women in the women's shelters, there are less people going into the hospitals in those communities. I actually think we're ahead of where I imagined we would be three years ago".

Westpac's 2004 social impact report (Westpac, 2004) notes that seven businesses have made a successful start, 40 new jobs have been created and 600 people have participated in the Family Income Management Scheme. The company has also completed a review of its involvement in the partnership program using the AA1000 Assurance Standard.

Local communities who at first had doubts that a bank could offer them anything now look forward to the arrival of the Westpac volunteers. "In some of the places that we have been going regularly there are a number of aboriginal families who positively can't wait for the next group of Westpac people to come into the community. And who fully expect to take them around and introduce them and who seem to me to actually benefit just in terms of their morale from their exposure to these people and it's a really curious thing now to watch the relationship being transplanted from one group to the next", said Koci.

The second group profoundly affected by the program is the volunteers themselves, and through them, the wider workforce at Westpac. Andrikonis says he learned a lot from working in the Cape, about indigenous culture and respect for one's elders. He became more reflective about his own values and direction in life. "I learned a lot about how sometimes we take things for granted in our own lives and that we sometimes put a lot of emphasis on things that at the end of the end aren't all that important", he said.

Winer says he notices the impact on Westpac people. "It's life-changing ... for a lot of people it's the first time they've been allowed or able to serve the community and I think that that rebuilds a person's spirit and confidence ... and I think it's being entrusted by their company to go out and challenge themselves in this way it's also quite liberating ... they're not just being put in a safe room to pack boxes, they're being put at the forefront of Australia's biggest alcohol epidemic and most serious social problems", he said.

Andrikonis says people who participate in the program tend to become more tolerant through their exposure to other people's circumstances. Participants tell Koci it is a "life-changing" experience. "Their view changes of the world and of themselves ... They become more aware of the situation of other people". Koci says he is proud to be involved in a program that is making a tangible impact in indigenous communities. "It is certainly the highlight of my career and life", he said.

Sherry describes the program's impact as "practical reconciliation"<sup>13</sup>. "You do have to have some engagement with real people to feel (a) that it's even an issue and (b) that you can do something about it". Westpac's success with the engagement model in Cape York has led it to move many of its other community relations programs from a philanthropic, impersonal model to a capacity building, personal model. Sherry describes it as a shift "from rattling tins on street corners" to active involvement of employees with community groups and social issues.

The wider workforce at Westpac is impacted through the story-telling and advocacy of returned volunteers for indigenous rights. Andrikonis says the volunteers go back to work and "spread the word". Hearing about Westpac's community focus makes people feel good about working for Westpac, but also introduces different understanding about how to relate to people. "Because this advocacy of the Cape York program is coming from your peers it has a little but more impact on people. It's like a teller talking about tellers' errors to another branch. That has more impact than the area manager standing there and talking about it", said Andrikonis.

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<sup>13</sup> Reconciliation is a term commonly used to describe both symbolic and practical measures used to address disadvantage of indigenous Australians.

### *Future challenges*

Westpac has recently agreed to extend its involvement for a further three year term until the end of 2010. It has adapted its model to meet the needs sought by projects and during 2006 implemented an extra fellowship position to project manage Family Income Management.. This was at a time when the incumbent resigned and the search for a replacement stalled. More broadly, the company regards increasing indigenous employment as an important goal. It has implemented a recruitment strategy, which provides a mix of direct employment into vacant positions, school based traineeships and cadetships for under-graduates leading to inclusion in the graduate recruitment program. In 2004 Westpac launched the Indigenous Capital Assistance Scheme (ICAS), an Australian Government initiative, providing access to commercial finance with subsidised interest rates, mentor and professional support with a focus on the early years of business growth or development. ICAS also seeks to build employment outcomes for Indigenous people Indigenous initiatives are co-ordinated through the Indigenous Working Group, which together with government is developing the Indigenous Capital Assistance Scheme to support further economic development.

### **Analysis**

This case study has described Westpac's corporate citizenship journey with particular reference to a project that illustrates how the company responds to the first of the Global Compact principles, that business should support and respect the protection of human rights within their sphere of influence. It now turns to an analysis by first addressing the Global Compact Performance Model. It then explores the question, "how does Westpac learn about human rights?" by analysing Westpac's Cape York program through the organisational learning framework developed by Zietsma et al (2002).

### *Vision*

Westpac's early vision of itself was of a company that performed an important role in the social and economic development of Australia, particularly by supporting rural and regional development. In the 1980s and early 1990s that vision dimmed while the company worked to deal with the consequences of deregulation of the banking sector first by growth, and then by cutting costs. Criticism from employees, customers, the media and activist organisations served to refocus Westpac's leadership on its original vision. As Purcell described it, the "gap" the company had to cross was between its own aspirations and its behaviour. The early steps of the corporate citizenship journey were largely about regaining Westpac's lost vision, and determining what it needed to do to bring its behaviour into line with its vision.

### *Enablers*

Leadership of the Bank was significantly driven by a group of four who shared values and experiences brought from outside the company; Davis, Morgan, Sherry and Purcell. Senior-level public sector experience and experience with indigenous relations issues in the mining sector meant this group was sensitive to issues of justice and equity. They had advanced skills in issues identification and management, and well understood the importance of building ownership by those affected in the outcomes sought. This is illustrated by the Bank's emphasis on ensuring aboriginal needs and perspectives determined the projects that were adopted in Cape York, and by its decision to develop a partnership program that involves, challenges and motivates employees.

The Bank's publication of its social and environmental policies and aspirations (Westpac, 2001) and its subsequent adoption of the Global Compact principles in 2002 set a clear policy and strategy framework.

The Cape York partnership requires Westpac to apply significant resources, including people. The CEO's decision to support the program was based on where the bank could best leverage its resources such as people and skills to make a "significant impact on society". The partnership is empowering both for the

communities where volunteers work and for the employees who participate, and is often described as “life-changing” by participants. It is also an innovative approach to entrenched social and economic inequity, requiring a shift in attitude from philanthropy to capacity building and co-ordination with several external organisations which individually could not have the same impact.

### *Results*

The company’s engagement with Cape York communities has been welcomed by indigenous organisations and individuals alike. Evaluating the social impact of the Cape York partnership is on-going and long term, but early results include the establishment of viable new small businesses and new hope and optimism in the communities served. The impact on Westpac’s people is both immediate and diffused. It is immediate insofar as participants say they become more reflective and tolerant as a result. Its diffused impact occurs through the stories told by returned volunteers, facilitated through presentations encouraged by management as well as by informal conversations in the workplace. Chairman Davis believes that the experience of participating in the Cape York partnership will influence Westpac’s value chain by helping employees “be better representatives to our customers than they would have been before this experience”.

### *Reporting*

Westpac has used GRI guidelines for its annual social impact report which was first published in 2002 and has used the AA1000 Assurance Standard to assure its recent social impact reports and to review its involvement in the Cape York Indigenous Partnership program.

### *Learning Processes*

As described in the analytical framework, four connected learning processes enable organisations to develop new solutions to old problems; attending, experimenting, integrating and institutionalising. These processes were used by Westpac to develop the Cape York Indigenous Partnership and are identifiable in the ongoing cycles of recruitment, participation and debriefing that occurs with each group of volunteers.

At the organisation level, the program was developed against a background of increasing responsiveness to indigenous issues, but the catalyst was a meeting between indigenous and business leaders attended by Ann Sherry in 2001 in which participants resolved to “come together and see if there was a different way”. Sherry listened at that meeting and in subsequent meetings to indigenous groups describe their needs and develop their own strategies for addressing problems. Through this “careful attending to external stimuli” (Zietsma et al., 2002, p. 568) Sherry began to see how Westpac could make a meaningful contribution to relieving social and economic inequity in Cape York. She was able to convince powerful allies at Westpac of the value of the project; the CEO, the Chairman and the head of the retail banking division that would supply the bulk of human resources to the project. The program was and remains experimental in that flexibility to respond to newly identified needs and problems is a hallmark of the way it is managed. Westpac people will always find themselves in new and challenging situations in this program and will be required to demonstrate personal as well as organisational flexibility to effectively respond to new situations. The Cape York Indigenous Partnership is now an institutionalised program within Westpac. Feedback from the program is captured through the debrief process and learning from the experience is applied both the further development of the Cape York program and to other community relations programs. Learning is also expected to flow to operational capacity through engendering more reflective, tolerant and client-focused behaviour in employees.

At the individual level, participants in the partnership apply these learning processes as part of their personal project. First, the process of attending is fostered through the recruitment and induction process where employees read extensively about indigenous social and economic inequity and then undertake cultural sensitivity training prior to arriving at a community. The attending process continues as employees learn directly in their day-to-day relationships with community members about indigenous

culture and values and as a result begin to question their own values and attitudes. Second, the need to transfer skills rather than directly solve problems requires experimentation to help a given family or community develop the capacity to manage their own finances or develop a business. New ways of working generally require cooperation with a range of organisations and individuals requiring agreement about how power and resources will be allocated in the new way of working. The successful establishment of seven small businesses and development of financial management skills for 600 people indicates that new solutions for problems are being institutionalised.

Learning connects to the Global Compact Performance Model because it is an enabling process that empowers employees to develop innovative solutions to complex social problems and to understand how they can make a personal contribution to solving social and economic inequity. Learning processes also directly affect results because employees become more reflective and more confident about their own skills and abilities.

## Conclusion

This case study has described the corporate citizenship journey in progress at Westpac Banking Corporation. The journey began with the realisation that the firm's behaviour had become misaligned with its vision. The changes required to align vision and behaviour led it to attempt a partnership project that tackles human rights problems in Australia and illustrates how a company in a country with a well-developed rule of law can apply the Global Compact principle relating to protecting human rights.

Purcell says the company did not "get it right with a flick of the fingers. But we gave people permission to do the right thing and started to create a culture that would support people to do the right thing ... It's okay to talk about whether something is the right or wrong thing to do".

The Global Compact provides a set of high-level principles and "moral guidance" (Purcell) for the Bank's leadership and senior management about corporate conduct, akin to the "ten commandments" (Davis) for business behaviour in society.

The case study has also addressed the question of how the firm learns about human rights. It does so at both an organisational and an individual level through its participation in the Cape York Indigenous Partnership. The partnership operates as a complex experience-based learning device with profound external and internal impacts. Externally, the company is learning how it can apply its unique resources and skills to addressing some of Australia's most entrenched human rights problems. Internally, the Cape York Indigenous Partnership is the catalyst for many formal and informal conversations about human rights and social inequity. The program is very popular among employees and has contributed to restoring employee pride in their organisation. Understanding and measuring how the program contributes over time to social and economic development in Cape York, and exploring how changes experienced by employees "rub off" on customers will be important areas for future attention by the company.

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## Appendix

### *Profile of Cape York<sup>14</sup>*

Located on the northern-eastern tip of Australia, Cape York comprises all of the areas north of Cairns. It comprises 17 indigenous communities, mostly formed as missions over the last 100 years. Following the referendum of 1967, which granted Aboriginal and Torres Strait Islander people Australian citizenship, the missions began to wind down their influence and these communities are currently administered as communities within Aboriginal Trust areas or, in a few cases, as mainstream local government shires.

Most of these communities are very isolated and are frequently not accessible by road during the protracted wet season. Approximately 10,000 Aboriginal people live on the Cape with the average community size around 800. As is the case with many Aboriginal communities, Cape York is afflicted by a number of social problems, such as:

- Extremely high unemployment and lack of employment opportunities
- High rates of preventable disease
- Poor education participation and outcomes, lack of, "job ready" people
- Extremely high levels of domestic violence, child abuse and neglect
- Alcohol and substance abuse in epidemic proportions
- High rates of criminal offending and incarceration
- High suicide rate
- Average life expectancy 20 years lower than Australian average

It is widely accepted that one of the major contributing factors is the lack of a real economy and an overwhelming reliance on passive welfare. In most communities there is almost no enterprise, very few real jobs and very low educational and health standards.

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<sup>14</sup> Adapted from internal Westpac briefing document