New Zealand Asia Institute
Research snapshots

No. 48

Managing sustainability tensions in China – New Zealand business partnerships

Incompatible approaches to managing sustainability have become increasingly visible as businesses pursue international partnerships. A high profile example was the 2008 milk formula scandal in China, which saw 55,000 infants hospitalised and destroyed both the Chinese dairy products company, Sanlu, and its partnership with New Zealand's Fonterra. As sustainable development goals increasingly impinge on business strategies, intercountry tensions in approaches to balancing triple economic, environmental and social goals have risen, raising the question of how they affect other Chinese-New Zealand partnerships and how such tensions can they be managed.

Researchers examined** eight such partnerships between 16 fairly big firms selected for their sustainability credentials, in industries from agriculture to aviation. They ran 33 in-depth interviews, and an informal group discussion, with partnership relationship managers on both sides.

Almost half the relationship managers described divergent approaches to their triple bottom lines. Chinese partners tended to prioritise financial growth much more heavily over environmental and social issues. For example, a Chinese farming joint venture partner delegated waterway management and animal welfare to its New Zealand counterpart. Mostly, though, any tensions around sustainability were eclipsed by concerns for economic harmony. After all, as one interviewee observed, even in this select bunch the whole rationale for partnering was economic, not environmental or social.

Two thirds of managers reported mismatches in how partners weighed today's business success against tomorrow's business development and public welfare. In a typical example, one New Zealand manager grappled to reconcile the partner's planning horizon, driven by short-term profit, with the New Zealand company's own long-run plan for slashing power consumption to save money and carbon emissions. Five managers described tensions over moral/commercial trade-offs. For example, one Chinese partner opposed closing an unprofitable factory to protect jobs. On closer analysis, many firms equated morality with legality.

Where firms noticed tensions, they variously deployed four strategies to reconcile them: opening, surfacing, collaborative and synergistic. The study advocates integrating all four. First, open an honest dialogue. Then generate an atmosphere of creativity and innovation to surface the best shared vision for how to respond. Seek synergies via links like designated liaison people. Using "organisational ambidexterity", partners should also both play to each other's respective strengths in different priorities and enlist any sustainability expertise among stakeholders, be they shareholders, staff, customers, independent organisations, government or NGOs. For instance, by collaborating with Chinese local government and an NGO, one aviation partnership pulled off an "amazing initiative" to reuse cabin waste.

This study alerts managers to tensions they might have ignored or downplayed. By synthesising success stories, the researchers propose an integrative framework for facing, managing and harnessing tensions about time horizons and triple bottom lines.

**The full study results are available in an article authored by Sitong (Michelle) Chen and Gabriel Eweje: "Managing tensions in sustainable development in Chinese and New Zealand business partnerships: Integrative approaches". Business Strategy and the Environment (Open Access) 31(5), 2568–2587, 2022. DOI: 10.1002/bse.3044

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