

Flourishing on the Edge: Whale Watch Kaikoura, an Indigenous Sustainable Business¹

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Whale Watch Kaikoura (WWK) provides an example of sustainable business embracing a quadruple bottom line² of economic, environmental, social and cultural wealth creation. It also shows how indigenous enterprise can enable social transformation. With a track record of phenomenal success WWK now has plans to develop a significant hotel and virtual whale tourism centre. However this has become a focal point for opposition that WWK is now facing from a number of stakeholders concerned about negative impacts of growth. The Chairman must respond to these stakeholder concerns by demonstrating a sustainable way forward. The case facilitates analysis between a student's familiar territory of mainstream business (with its typical single bottom line focus on profit maximisation) and the contrast with sustainable business (with its quadruple bottom line focus).

¹ All information in this case is from published sources. Special thanks are due to Wally Stone, Chairman, Whale Watch Kaikoura and Ian Challenger, Environmental Development Officer, Kaikoura District Council for their valuable time in assisting with fact-checking and providing useful insights for the final version of the case study. The dilemma presented in the case, is not an actual dilemma. Its purpose is to facilitate a student's understanding of how sustainability can be applied to assist business success. The case is developed as a basis for classroom discussion. ² The "fourth bottom line" of culture was advocated by world leaders, such as Jacques Chirac and Helen Clark at the United Nations World Summit of Sustainable Development in 2002.

Introduction

The power of the edge is one of today's most compelling ideas. It is based on a biological metaphor and will have a dramatic effect of the way we all think about change. When species change, it almost always occurs first at the fringes. Here the population is most sparse and the orthodoxies of the center are weakest. Here you can flourish isolated from formula and rules, free from the corrosive belief that everything great has already been done. – Kevin Roberts, CEO Worldwide, Saatchi and Saatchi

I want to stay as close to the edge as I can without going over. Out on the edge you see all kinds of things you can't see from the center. – Kurt Vonnegut, author and artist

Whale Watch Kaikoura (WWK) Chairman Wally Stone faced a dilemma. How to explain to his board that WWK can satisfy all its stakeholders' needs and keep growing a successful business? WWK had been a great success story to-date and now was preparing to commit to another major step – building a \$120 million virtual reality whale centre and 250-bedroom world-class hotel. This proposal had become a focal point for opposition that WWK was now facing from a number of stakeholders including environmentalists concerned about the impact on marine life of more tourists, 'green' tourists worried that growth in numbers would turn Kaikoura in to yet another overcrowded destination and tribal members anxious that outside investment could shift control to those only concerned about financial returns. Needing to respond to these stakeholder concerns the WWK board now required Stone to provide them with answers that would demonstrate a sustainable way forward showing how WWK's sustainable development journey would progress from this point and how far, how fast and how the company ought to respond to the demand for it to do more and sooner in terms of quadruple bottom line performance creating economic, environmental, social and cultural wealth. He decided to follow the Māori¹ tradition of seeking inspiration for the future by understanding and drawing upon knowledge of the past. For WWK and Stone this past was on the edge...

¹Māori are the indigenous people of Aotearoa New Zealand

Being on the edge

Kaikoura is one of those places at the edge of the world. It is a small township on the east coast of the ancient land, Te Waipounamu (Greenstone Island), called by most New Zealanders the South Island. Kaikoura is wedged between the Seaward Kaikoura Ranges (rising to a height of 2,885 metres) and the Pacific Ocean which within 500 metres of the shore drops 1,200 metres to the ocean floor into the vast depths of the Kaikoura Canyon. Snow-covered often for nine months of the year, the Kaikoura mountains provide the backdrop for what has become one of nature's most powerful signatures – the graceful flick of a tail that goes "fluke-up, fluke-down". The mountains are also the backdrop for one of New Zealand's most remarkable business tales – WWK.

Stone not only lives at the edge of the world in Kaikoura, but has lived at the edge of life. As Vonnegut described above, Stone had been far from life's centre – he had been to the edge and looked over. As an unemployed Māori street kid with a string of convictions, he had been marginalised from mainstream New Zealand.¹ In the 1980s Kaikoura suffered widespread unemployment and high levels of people depending on state welfare. The social fabric of Kaikoura was severely frayed back then. Farm incomes had plummeted and local Māori, the Kati Kuri, a sub-group of the larger tribe Ngāi Tahu, were especially hard hit by economic restructuring.² Stone, of Ngāi Tahu descent, unemployed and living on the streets was destined to help fulfil the vision of tribal elder Bill Solomon, who first recognised the special nature of what Kaikoura had. Where once people had never heard of the small coastal village Kaikoura, and where once Stone had been a street kid – both were now on the global stage.

As Chairman of Tourism New Zealand³ he had just signed off on an advertising campaign for full-page advertisements, featuring the Southern Alps and saying, "Two years to film the trilogy, millions of years to build the sets". These appeared in the centres of action during Oscar season in the Los Angeles and New York Times.⁴ Stone's two compatriots, film director Peter Jackson and actress Keisha Castle Hughes, had also helped promote New Zealand to the world through their remarkable achievements. Jackson had scooped eleven Oscars for the blockbuster "Lord of the Rings" and

¹Jobs Letter. (1999). Wally Stone on Tourism Board. Retrieved April, 2004 from www.jobsletter.org.nz/jblog900.htm ²Whale Watch Kaikoura. (1995). History of Whale Watch. Retrieved 10 April, 2004 from www.whalewatch.co.nz. ³Tourism New Zealand is a public-sector marketing agency responsible for marketing destination New Zealand offshore. ⁴Dye, S. (2004, 3 March). Middle-earth puts NZ on top. The New Zealand Herald.

Castle Hughes was making headlines as the youngest-ever Oscar nominee for her lead role in “Whale Rider”. The stunning landscapes of the “Lord of the Rings” and riveting cultural story of “Whale Rider” had done wonders for the marketing strategies of Tourism New Zealand. Whales and New Zealand’s sensational scenery were making waves around the world.

The Dominion, newspaper of the nation’s capital, described Stone’s appointment as Chairman of Tourism New Zealand as “...recognising him as one of the country’s most outstanding entrepreneurial businessmen”.¹ The Mayor of Christchurch, the South Island’s largest city, observed that “the very innovative techniques that equipped Stone to survive on the wrong side of the tracks are those that make him brilliant on the other”.² The former street kid was these days also recognised in the streets as Chairman of the multi-million dollar WWK enterprise.

But on this day Stone was contemplating a dilemma. He had driven to the top of the Kaikoura Peninsula and stepped out of his car, breathing in the pure ocean air. In front of him was ancient ground where the Kati Kuri ancestors had built their pa (fortified village). From this place the ancestors had commanded a strategic vantage point, and it was from here that Stone reflected on his modern day problem. Not how to keep unwelcome visitors out of Kaikoura as the ancestors had struggled to do – but how to attract and accommodate even more visitors than ever before to generate more economic returns while continuing to create and preserve environmental, social and cultural wealth. On the other side of the road from where he was standing was WWK land, currently zoned “rural”, and he was about to send a submission to council requesting the land be re-zoned as “tourism”. He knew it was likely to be approved. Once the land was zoned “tourism” it would be “as of right” that work could begin on building a \$120 million virtual reality whale centre and 250-bedroom world-class hotel.³

Whilst many in the town, especially businesses servicing tourism welcomed the development, other stakeholders had expressed concerns to WWK’s board and that had led the board to ask him to address these issues and explain a sustainable way forward. He reflected again on the stakeholders’ worries. Some members of the community were worried that outside investment might signal outside control by those much

less committed to Kaikoura than locals. Others were anxious and wondered if the town’s social and natural environment could cope with many more people, and that their own needs would be subsumed by those of tourists. Some tourists, hearing of the proposal, expressed concern that the small town would become just another tourism “factory” and were wondering whether the destination would become spoiled. It was important to ‘green’ tourists in particular that not only did they get value for money, but that they could feel good about participating on a tour with a company who demonstrated commitment to strong social, environmental and cultural values. A number of environmentalists were worried about the impacts of tourism and human behaviour on the marine eco-system. The board had acknowledged that the company and the community had come a long way already down the sustainability path – however they wanted reassurance that Stone had a plan to successfully navigate the way forward before approving the new development.

Stone reflected on WWK’s mission: “To maintain a global reputation for delivering a unique marine and cultural experience in one of the world’s last unspoiled, natural wildernesses,” and their philosophy to “only undertake activities that are culturally acceptable, economically viable and environmentally sensitive”. He saw WWK objectives “set in the long-term rather than short-term” and he said they want to live there for another 950 years.³ He believed his people were “agents of change rather than victims of change” and that assets and profits are “like oxygen, necessary for life, but not the purpose of life”.³

But how to grow sustainably? He wanted the company to be an even greater international success, but was growth and sustainability compatible? Stone pondered the Māori proverb that “we walk into the future backwards, because the only thing that is certain is the past”. An important starting point for Māori when solving problems was the past. He sat underneath an old cabbage tree once trail markers used by the ancestors and reflected back to the path of the past for inspiration.

¹ Stone, W. (2000). Whale Watch Kaikoura Limited. Christchurch Art Gallery. Retrieved 5 April, 2004 from www.christchurchartgallery.org.nz. ² Whale Watch Kaikoura. (1997). Bigger than Moby Dick. Retrieved 10 April, 2004 from www.whalewatch.co.nz. See also APEC (Asia-Pacific Economic Co-operation), “Bigger than Moby Dick: Whale Watch Kaikoura”, Tourism Environmental Best Practice in APEC Member Economies, APEC, Singapore, 1997, pp.34-40 as cited in McClure, M. (2004). The Wonder Country: Making New Zealand Tourism. Auckland: Auckland University Press. ³ Stone, W. (2000). op.cit.

¹Jobs Letter. (1999), op.cit. ²Ibid. ³No star rating for the project has yet been designated.

Seeds of transformation

“In 1988, we used to say, people came here because they got lost,” said Stone.¹ The town’s already high unemployment rates had been steadily growing as a result of Government reforms. Unemployment was estimated at 90 per cent among the Māori community, and total employment dropped 15 per cent between 1986 and 1991.² There was a high rate of migration by Kaikoura’s young people and there were limited attractions. It was a sleepy fishing village of about 2,000 inhabitants and a couple of motels. Kaikoura’s only attractions were its “kai koura”, or “meal of lobster”, a little known seal colony, and rusting relics from the whale-hunting era.

But a remarkable transformation occurred in just over 15 years. Kaikoura became a boomtown. High unemployment had shrunk and the divisive racial tensions that marked a struggle for survival and identity had eased under a renewed sense of joint purpose and togetherness. Kaikoura, on the edge of the world was now one of three Green Globe 21 benchmark townships in the world.³ Where self-pride, esteem and confidence had been eroded by hard times, the main challenge the town faced these days was how to sustainably maintain the phenomenal growth.

In 1987, Kaikoura had 3,400 visitors a year through its Visitor Information Centre, by 1995 it had increased to 191,443. In 1998 academic research put actual numbers visiting Kaikoura was 873,000 and in 2004 it was estimated 1.6 million visitors would visit Kaikoura.⁴ In 1998 the portion of visitors who stayed overnight were mainly international, and stayed 1.8 days and the daily average spend was \$45.73 per overnight visitor.⁵ Whilst employment was continuing to decrease in the railway, communication, and agricultural sectors it rose 25 per cent in the service and hospitality sectors between 1991 and 1996. That growth was attributed to increased tourist numbers and, some say, specifically to WWK, conceived of in 1987 and fully operational in 1989.¹

¹ Whale Watch Kaikoura. (1997). op.cit. ² McNicol, J., Shone, M., & Horn, C. (2003). Benchmarking the performance of the tourism community in Kaikoura. Landcare Research New Zealand Limited and the Tourism Recreation Research and Education Centre, Christchurch: Lincoln University. p.79, see also, Kaikoura District Council. (2004a). Green Globe: Kaikoura’s Path to a Sustainable Future: Kaikoura. p.5 ³ Since writing this case study Kaikoura District Council has attained “Certified” status, the highest standard under Green Globe 21. This status, at present, is shared with only two other communities worldwide, the Ball Tourist Development Corporation for Nusa Dua area and Lusotur for Vilamoura in South Australia. See www.greenglobe21.com/Participants.aspx (viewed 2005, May) ⁴ Whale Watch Kaikoura. (1995). op.cit. 1987 and 1995 figures based on numbers through the Visitor Centre door as confirmed by Kaikoura District Council. 1998 figures are from Simmons, D., & Fairweather, J. (1998). Towards a Tourism Plan for Kaikoura. Christchurch: Tourism Recreation Research and Education Centre, Lincoln University. Christchurch: Tourism Recreation Research and Education Centre. p.6. The 2003 estimate is in various sources including Kaikoura District Council. (2004a). Ibid., p.4

In 2002 unemployment in Kaikoura was down to just “six people”² These days a queue often winds its way from the doors and down the steps of the renovated railway station booking office, now called the “Whaleway Station”.³ If success is measurable in international recognition, then WWK has done remarkably well. In 1995 it won the British Airways Tourism for Tomorrow Award in both the Global and Pacific region categories. In 1997, it was presented with the Pacific Asia Travel Association Gold Award in the heritage and culture category. In Berlin in March 1997, Whale Watch Kaikoura was awarded a Green Globe Achievement Award with Distinction. This award recognised outstanding progress towards the “implementation of environmental programmes which demonstrate excellence”.⁴ WWK remained modest in claiming any single-handed transformation of the town, and said only they had been a catalyst in helping develop confidence within the local community. The company stressed both they and the community together are strategic investors and “players” in the future of the town.

Starting the business

It was a case said Stone “of necessity being the mother of invention, we had to take control of our own destiny and come up with a solution”.⁵ It happened without “smart” money or outsiders. It happened using the resources and people who live on the town’s doorstep. The initiative centered on descendants of the whales that were exploited from the 1830s for their blubber and bone to power the lamps and stiffen the corsets of European and American women. The whales too had been driven to the edge of existence. Some whaling continued until this century, but long before then the town had become reliant on farming for its economic base.⁶

For the whales the attraction was the wealth of food. In Kaikoura, the warmer waters from the north meet cooler flows from the south, creating a nutrient-rich up-welling in which many other forms of marine life live – from krill to the sperm whale’s food delight – the giant squid which spawn and thrive in the Kaikoura waters.⁷

¹ Ibid. p.14 ² Devereux, M. (2004) Kaikoura enjoys hard-won boom. The New Zealand Herald. Note that the figure six was an anecdotal figure quoted frequently by the mayor of Kaikoura. ³ Ibid. ⁴ Whale Watch Kaikoura. (1997). op.cit. ⁵ Whale Watch Kaikoura. (2004). Whale Watch Kaikoura goes to new depths. Retrieved April, 2004 from www.arl.co.nz/whalewatch ⁶ Whale Watch Kaikoura. (1997). op.cit. ⁷ Ibid.

In a 25-square kilometre area off Kaikoura, tourists are virtually guaranteed to see whales all year round.¹ From a total of 79 species of whale and dolphin in the world, over 15 have been identified off the Kaikoura coast. Sperm whales are the main attraction, however, The Right, Humpback, Minke, Blue, Fin, Sei, Killer, Beaked and Pilot Whales are regularly sighted. Also, frequently seen are New Zealand's small native, Hector's dolphins.²

Securing a loan to buy the first whale-watching vessel was difficult. Mainstream banks had turned away the small group who had envisioned the business dream. Stone said that in those days the banks would not even let them open a cheque account.³ Not to be deterred, a group of local Kati Kuri, lead by the late Bill Solomon⁴ raised \$35,000 from personal savings. To launch, equip and market the first boat – a rigid hull inflatable to take 10 people – four families mortgaged their houses. They realised clearly it was themselves alone who were going to make a difference and they knew they were on to a good idea, but they had to manage the risk. They proceeded in the belief that they might break the cycle of poverty and unemployment and create a better future for their children.⁵

A retired Christchurch banker, Des Snelling, who offered his services, recalled those dreams,

...to go to sea with one boat, a few brochures and a lot of hope. They had enormous difficulties through their lack of business skills and their lack of confidence in themselves. As an ordinary commercial venture, it had nothing. It was what seemed to be a harebrained idea.

For Snelling, the turning point was when the Māori gave the banks personal guarantees by putting their homes on the line. "For poor people, that was a courageous thing to do".⁶

¹ Ibid. Whale Watch operates every day except Christmas day. Whilst humans prefer the warmer summer months for viewing whales – whales feed in the canyon all year round. ² Ibid. ³ Ibid. ⁴ The late Bill Solomon first conceived of the vision, which predicted that people would travel from all over the world to gain a glimpse of the Giant Sperm Whale, and other marine life that inhabit the coastline. Whale Watch Kaikoura. (2004). op.cit ⁵ Whale Watch Kaikoura. (1997). op.cit. ⁶ Ibid.

The group's financial commitment enabled them to secure a \$100,000 Māori venture-capital agency loan and a \$5,000 business development grant through the Marlborough Development Board. A number of staff in the first two years did not receive payment for their work, and the fledgling enterprise also attracted volunteer workers who helped out.¹ A marketing lecturer with Christchurch Polytechnic brought his students on a whale watch field trip, which resulted in a marketing plan, delivered May 1989.

To expand, the Kati Kuri went to Ngāi Tahu – the larger tribal group that they belonged to. They went with an investment proposition. The Board of the Ngāi Tahu Holding Corporation² agreed with the proposition and bought a shareholding in the expanding company and by 2002 Ngāi Tahu Holding Corporation held a 43 per cent investment stake. The company structure was made up of capital and directors from the Kati Kuri founding families and Ngāi Tahu Holding Corporation³ WWK assets range from boats to buildings and buses to harbour facilities. Income and tribal finance entirely funded WWK. In 1997 WWK turnover was said to have been NZ\$3 million a year, assets worth NZ\$2.5 million and shareholders funds NZ\$2 million.⁴ One commentator even speculated that by 2002 the whale-watching industry in Kaikoura had directly generated \$25 million of revenue a year and one-third of the town's full-time jobs.⁵

Sustainability at the heart of the business

The WWK story draws on the legend of the Ngāi Tahu ancestor, Paieka, arriving in New Zealand on the back of a whale. The WWK experience offered a glimpse of what the marine environment was like before tens of thousands of whales were slaughtered worldwide. "The whales are integral to our culture", said Stone, "we are talking about our lineage, about myths and legends and how they connect."⁶

¹ Ibid. Also, Wally Stone, personal communication. ² Ngāi Tahu Holding Corporation is the commercial arm of Te Runanga o Ngāi Tahu who is the governing body that oversees the entire tribe's activities. The governing body is made up of democratically elected representatives from the 18 runanga (or tribal) councils. At the time of the initial investment Ngāi Tahu Holding Corporation was called the Ngāi Tahu Trust Board. ³ The Kati Kuri founding families are the individual families who formed WWK as a private company and hold the majority shareholding. (Confirmed by Wally Stone, personal communication). ⁴ Whale Watch Kaikoura. (1997). op.cit. ⁵ Oram, R. (2002, 1 July). Wicked brew. UnlimitedNet. (Online). Retrieved April, 2004 from www.unlimited.co.nz/unlimited.nsf/UNID/42182A9FEC773FE0CC256BDF001683C8. Since writing the case an International Fund for Animal Welfare 2005 report on Whale Watching indicates the industry contributes close to \$120 million to the economy. More than 425,000 people went whale or dolphin watching in New Zealand in 2004 – almost double the 1998 figure of 230,000. Retrieved 6 June 2005 from www.stuff.co.nz/stuff/0,2106,3301056a7693,00.html. ⁶ Whale Watch Kaikoura. (1997). op.cit.

A special report by the International Fund for Animal Welfare into the socio-economic benefits of whale watching revealed that whale watching images attracted environmentally conscious, high spending tourists, making such images ideal in marketing campaigns. "Our country's careful management of the natural resource is seen as a model example of how to sensibly utilise the resource," said Stone. Whales, and whale watching, he observed, can make a significant contribution when it comes to endorsing or giving effect to Tourism New Zealand's worldwide 100% Pure NZ international marketing campaign.¹

Before the advent of tourism, along with high unemployment there was a disproportionate amount of under-education, drug-abuse and related problems in the town and little professional or business expertise. Local Māori wanted to become involved in business enterprises, but were unsure where to begin. A motivation for WWK was to create an economic base that provided for an independent future where local Māori could be in control of their own destiny.²

WWK owned by Māori, became the single largest employer in Kaikoura employing up to 70 mainly Māori people in peak season and supporting many extended Māori families. Because of the rejuvenation WWK brought to the town's economy, the Kati Kuri were held in higher esteem and played a more positive role in local affairs. At the level of the tribal group, as at the level of the wider community, the venture exceeded all expectations. The company made a conscious decision to contribute to the community, believing firmly that a successful company in a small town has to help make the town successful. Unlike some companies WWK do not actively promote their contributions to enhance brand value and public perception, they stressed they did "those things because they believed in them". Furthermore they believed it undermined the mana (honour) of others to use their contributions as a marketing tool. There is little doubt, however, that WWK were the "largest sponsor in the area by miles". Shareholder profits³ were used to take young people off welfare payments and give them skills and a future and in the eyes of some tribal members, one of the greatest achievements of the business was that some of the shareholder profits

¹ Whale Watch Kaikoura. (2003b, 10 December). The World of Whales: Tourism Background. Retrieved April, 2004 from www.arl.co.nz/whalewatch ² Whale Watch Kaikoura. (1997). op.cit. ³ As a private company any profits are distributed back to the shareholders, the Kati Kuri founding families and Ng i Tahu Holdings Corporation, to use as they see fit. (Confirmed by Wally Stone, personal communication).

contributed to an alcohol and drug rehabilitation programme.¹ Both shareholders in WWK approached the social challenge of creating employment and building social capital through highlighting the goal of cultural sustainability by explicitly recognising that some assets have cultural significance for Māori and were not subject to the same earnings or investment criteria as other investments.²

Growing the business

Over time, visiting Kaikoura became cheaper and easier, despite its relative isolation. Technology advances meant that Kaikoura, far from being at the edge of the world became much closer to its market with international flights direct to the city of Christchurch just a 2.5 hour drive away. Travel agents and tourists could make reservations at the click of a computer key. But growth caused infrastructure issues. For example, the squeeze along the Esplanade, the town's main shopping street, prompted developments to move north along State Highway 1. The nationwide New World supermarket chain's decision to open, with 55 employees, was considered a brave move for a township of just over 2100 people and a district of less than 3500 people overall.³ There were plans for a \$2 million dollar shopping centre to open nearby, which presented an opportunity to make the Esplanade more tourism focussed and give residents an area on the State Highway for their own shopping.

The proposed development of a \$120 million visitor centre to feature a "World of Whales" virtual reality land-based attraction, showcasing the whales in the Kaikoura canyon, would use the same technology developed for the New Zealand Americas Cup virtual spectator graphics.⁴ The visitor centre complex would also boast a 250-bed world-class hotel with exclusive accommodation lodges, a winery and an 18-hole golf course.⁵ This venture would help to attract additional market segments such as organised package tours, conferences and events by providing capacity to accommodate busloads of visitors.⁶ Furthermore the venture would help attract higher spending tourists as research showed more than 65 per cent of overnight visitors used either backpacker or motorcamp accommodation.⁷

¹ Whale Watch Kaikoura. (1997). op.cit. ² Te Runanga o Ng i Tahu. (2002). Ng i Tahu 2025. Christchurch. It is useful to note that Te Runanga o Ng i Tahu released a document Ng i Tahu 2025, which is a "tribal map" explaining their social, cultural, environmental and financial policies and investments. ³ Devereux, M. (2004). op.cit. Population figures as at the 2001 Census. (Confirmed by Ian Challenger, personal communication). The tourist trade, along with townships such as Cheviot and areas north of Kaikoura, extend the supermarket's catchment wider than the immediate local population. ⁴ Whale Watch Kaikoura. (2004). op.cit. ⁵ Devereux, M. (2004). op.cit. (Additional information confirmed by Wally Stone, personal communication). ⁶ Kaikoura District Council. (2004a). op.cit. p.9 ⁷ Kaikoura District Council. (2005). Tourism Strategy For The Kaikoura District. Kaikoura. p.39

WWK undertook a two year consultation process with “every group within the community we could find”.¹ When WWK released its development vision to the Kaikoura community, the company recommended a rate-neutral cost, in other words, that its project would be self-sufficient to ensure its success did not impact residents’ and retailers’ rates by sending them “sky high”. At public meetings, concerns were expressed that outside investment might signal outside control by external owners who would be much less committed to local development than local owners. Public concerns about shortage of housing were also raised, however, since farmland had been subdivided to make way for 600 sections to be sold over the next few years at reasonable rates, concern subsided.² However, whilst some wondered how much development Kaikoura could absorb before it impacted too heavily on the natural and social environment, most of the town’s retailers and the Kaikoura District Council³ supported the project and the development proposal outcome resulted in no objections being made to the council.

Tension between growth and sustainability

“One of the magical things about Kaikoura is it’s still a small village.” said Stone. “Because of the sense of space and quality of experience, people go away and rave about it, and more people come. But we can’t destroy what we have.”⁴ Whilst tourist numbers brought economic returns by contributing 30 per cent of the districts employment, and although negative impacts had not manifested widely, considerable pressure was nevertheless placed on the infrastructure and natural and social environment.

The potential of overcrowding was a significant risk because the qualities that attracted people to the town would disappear. They would travel long distances to discover, not a place where being on the edge preserved its wonders for a modern world to marvel, but a place where the mass and momentum of the centre spilled out over its tourist trail and squashed the very thing people went to see. The delightful charm of a small coastal village, combined with the breathtaking landscape and unique marine-life would lose its socially and environmentally harmonious appeal. In 1997 Kaikoura had a tourist density of approximately 250 visitors per resident, compared to Rotorua, one

¹Thomas Kahu in Devereux, M. (2004). op.cit. ²Affordable homes, however, remain a challenge for the community going forward. (Emphasised by Wally Stone, personal communication). ³ Kaikoura District Council is the local authority covering an area of 2048 square kilometres from Kekerengu in the north, to the Hunderlee Hills in the south. The districts’ population makes Kaikoura the smallest territorial local authority on mainland New Zealand. ⁴ Oram, R. (2002, 1 July). op.cit.

of New Zealand’s busiest tourism destinations, who had a tourist density of 45 per resident.¹ Some locals were concerned that the needs of the visitor would subsume their own needs. They were worried different kinds of social ills would replace those experienced in Kaikoura’s “dark days”. Furthermore, an impact study in 1998 already had observed inappropriate human behaviour towards seals, and recommended that the approved viewing distance of 5 meters be extended to 20 meters.² Negative effects on the marine life could destroy the tourism resource base of Kaikoura due to human behaviour and over-utilisation. In 2002 the first rahui was established. This traditional Māori sustainable management technique closed a portion of the sea to the collection of any marine life within that area. After two years it was planned that another rahui would be placed on a different section, moving around the coast and thus allowing the sea to restock itself.³

One solution for managing the pressure from tourism was to restrict growth. This could be beneficial if they could encourage tourists to book well in advance and already, during summer, if sightseers do not book whale watching well ahead of travel they may miss out. Surely, Stone observed, the ultimate in sustainability is a waiting list.⁴ Booking in advance would enable local tourism operators to run their existing capacity at higher occupancy levels and yields over a longer season, and get more work and wealth from the same resources.⁵ In any event, growth at WWK cannot exceed self-imposed parameters as the company made a conscious decision, by choice, not to increase their vessel size beyond 20 metres – never bigger than a whale. If vessels were any bigger the journey loses “the magic”. Furthermore they limited capacity to less than 50 people. WWK observed however that restricting supply did not automatically lead to increasing yield. Yield is an important management tool, according to Stone, who believed supply and demand are not the only measurement to increasing yield – yield and value are linked to experience. WWK increased value through ensuring quality of experience by keeping boat sizes smaller and passenger numbers limited. “The bottom line”, he said, “is people should have no regrets about the money they have spent”.⁶

¹ Kaikoura District Council, (2005) op.cit. p.16. ² Simmons, D., & Fairweather, J. (1998). op.cit. p.22. The viewing distance is now set at 10 metres. ³ Kaikoura District Council, (2005). op.cit. p.42 and Kaikoura District Council. (2004a) op.cit. p.7. ⁴ Wally Stone, personal communication. ⁵ Oram, R. (2002, 1 July). op.cit. ⁶ Wally Stone, personal communication.

Green globe co-evolution: business, society, culture and the environment

Adopting a far-reaching solution was the way in which the township embraced Green Globe 21 (GG21). The Kaikoura District Council and local tourism operators, including WWK, collaborated to develop and measure performance indicators for Kaikoura. In July 2001 the Kaikoura District Council developed an environmental and social sustainability policy. In 2002 the region became the first community in New Zealand to be recognised as GG21 Benchmarked. This global benchmarking and certification system for sustainable travel and tourism was based on Agenda 21 principles for sustainable development. The GG21 process used straightforward accreditation criteria based on continuous environmental improvement, and was developed for entire destinations as well as individual companies.¹ Kaikoura was chosen to be one of three international pilot studies under the GG21 project. The Kaikoura District Council received numerous awards for their resource and waste management practices. The community's vision for Kaikoura was "that of a sustainable future", with "tourism providing an economic benefit and local amenities, but not at the expense of the natural or social environment".² A strict and comprehensive range of natural and social environmental commitments was undertaken in order to be a GG21 Benchmarked community. These commitments included monitoring Greenhouse Gases, Energy Management, Air Quality, Freshwater Resources, Waste Minimisation, Social and Cultural Impact, Land Use Management, and Ecosystem Conservation. The council committed to undertake responsible energy management to minimise pollution, encourage the protection of ecosystems, to encourage the use of environmentally friendly products and educate the wider community on sustainable issues.³

The Tourism Recreation Research and Education Centre, who developed that first marketing plan during a field trip, joined expertise with Landcare Research to research stakeholders in the community gaining an understanding of their needs and aspirations. The research resulted in identification of core community values. (see Exhibit 1)

Benefits of Kaikoura's GG21 involvement were considered significant. Due to their success with GG21 the small town, which would otherwise find it difficult to gain publicity, was reported in media across New Zealand and internationally, providing

¹ McNicol, J., Shone, M., & Horn, C. (2003). *op.cit.* ² Green Globe 21. (2004). Kaikoura District Council Case Study. (Online). Retrieved April, 2004 from www.greenlobe21.com. ³ *Ibid.*

valuable free marketing for the district. Even government departments, other councils, university researchers and state bureaux such as the Japanese Travel Bureau travelled to Kaikoura to examine and report on their GG21 approach. Other benefits have been economic including reduced costs, such as less waste, to residents and businesses as efficiencies were improved.¹

All golden eggs in one whale of a basket

In addition to the concerns of the sheer mass and momentum of tourism impacting the social and natural environment, was the economic reliance on tourism. WWK worked with Landcare Research and TRREC, and a key point arising from their research was that tourism was a luxury and subject to market fluctuations caused by economic downturns and that it changed dependent on the economic environment such as a rise in oil prices, political unrest and even weather patterns. Over-dependence on tourism carried risk.² In May 2001, 18 tonnes of rat poison pellets tipped into the sea when a lorry and a trailer overturned on the Kaikoura coast. Officials warned the fishing industry to avoid the area and a temporary ban was placed on locals collecting fish and shellfish. Stone said at the time that "the ocean is very important to almost everyone" who lived in the area of the spill. Whilst there was no harm to humans, there was deep concern for marine life.³ Within two hours of the accident, the Kaikoura visitor centre received emails from Scandinavia asking if it was true all the whales had died.⁴ In 2001/02 there was a total of 11 truck accidents in Kaikoura District and five of these involved chemical spills.⁵

Some claimed that a "greenfields"⁶ approach to starting a business was risky. Tahu Potiki, CEO of tribal authority Te Runanga o Ngāi Tahu, the governing body of shareholder Ngāi Tahu Holding Corporation, reflected on this. Every sub-tribe in the South Island "all of a sudden started hunting furiously for things to "watch"". He recalled that they felt they had potential seal watching, dolphin watching, albatross watching, even muttonbird watching, they were intending to watch everything. A couple of these watching enterprises, he said, did get off the ground, but not for very long. He said that "enterprise and risk do not, alone, make a great recipe for success. They must

¹ Kaikoura District Council. (2004a). *op.cit.* p.17. ² McNicol, J., Shone, M., & Horn, C. (2002). *op.cit.* p.80. ³ BBC News. (2001). Rat Poison threatens NZ marine life. BBC News. (Online). Retrieved 26 May, 2004 from www.news.bbc.co.uk. ⁴ Kaikoura District Council. (2004a). *op.cit.* p.6. ⁵ McNicol, J., Shone, M., & Horn, C. (2003). *op.cit.* p.39. ⁶ In this context Potiki describes "greenfields" as something "new" and "unexplored". Potiki, T. (2002). Speech Notes. Paper presented at the Innovate: Growing an innovative New Zealand. Christchurch. (Online). Retrieved: April, 2004 from www.innovate.org.nz/speakers-notes/tahu-potiki-notes.html

be balanced with planning, support and research”.¹ Echoing Potiki an Indian reporter returned home from a visit to Kaikoura, wistfully deep in thought. He wondered whether they could start an Elephant Watch, or Tahr Watch or Gaur Watch, and whether it could be wholly owned by their “tribals”. The Indian reporter thought it could be a small way of repaying what had been taken away from the natives of the jungles, it would be a way to add income to their tribal community without in any way harming the environment. He believed “...foreign tourists will queue up to experience this delight if the whole scheme is properly planned”.²

The dilemmas and challenges weighed heavily on Stone’s mind. How to satisfy all stakeholders’ needs? He needed to decide how WWK could best create sustainable wealth for all people including his tribe and other community members including the local business community, WWK’s shareholders, employees and customers while preserving and enhancing the environment.

Back to the future

It is appropriate to leave Ngāi Tahu tribal leaders to have the last word on how they see the future because in Māori culture, leadership is from behind.

Sir Tipene O’Regan was chief negotiator for the tribe up until his retirement in 2000, and joined the board of WWK at the same time Ngāi Tahu Holding Corporation invested in WWK. He took the view that Māori entities must be focused on acquiring, retaining and growing capital over successive generations. Therefore, although a focus on maximising shareholder wealth is necessary, maximisation can occur over generations; rather than quarters.³

Te Maire Tau, a strategic adviser to Ngāi Tahu Holding Corporation painted a picture that in his wildest dream the tribe in 50 years should be a global corporate. He suggested a need to balance Ngāi Tahu principles against the pragmatism of the world in which they operate and stressed that fortunes should be based on reality rather than ideals. He thought a key challenge for the tribe was to synthesise traditional tribal values with corporate capitalist values, and, believed that whilst tension

¹Ibid. ²Alembath, M. (2004, 12 January). Lessons from a Māori success tale. *The Hindu*. ³New Zealand Business Council for Sustainable Development. (2004). Māori Enterprise Overview Paper prepared for Māori Enterprise Project. Available from Author

was always going to exist they will have to develop ways to manage it. He stressed that the biggest strength for the tribe was that their “shareholder doesn’t die” which enabled them to plan strategically for the long-term and not grasp at the short-term gains conventional corporations tended to go for.¹

Tahu Potiki figured a big challenge was that globalisation could devour micro-entities not out of malice but out of mass and momentum. His nightmare was that Ngāi Tahu culture would be swamped by the homogenising tendencies of globalisation that would inevitably lead to a consequent reduction of cultural biodiversity. On the other hand, he wanted his tribe to capitalise on the benefits of creating wealth through economic participation in the global economy.²

How could WWK use the wisdom of their heritage to preserve Māori culture, the environment and society while creating economic wealth, and progress towards the future? WWK was being cited as an example of successful Māori business and the company wanted to fulfil its potential as a model to Māori and indigenous people internationally. They were also aware that major business groups such as the New Zealand Business Council for Sustainable Development³ and the Business Roundtable⁴ had placed indigenous business as a research priority, and that WWK offered an exemplary model. As a pioneer of a new model of sustainability WWK demonstrated lessons for both mainstream and indigenous business, but Stone knew this was a “work in progress” and that creating the optimal future required wise decision-making.

Stone believed we “need to create an environment to encourage those that are actually committed to this country, committed to its lifestyle, its value system and are long-term players for New Zealand, and not purely there for the balance sheet”. He suggested rewarding entrepreneurs and risk takers and celebrating their success, but also ensuring their success is the country’s success – stop underselling the country and underpricing products and services. “The more we value New Zealand the more

¹Ansley, B. (2004, 6-12 March). A Wealth of Talent. *New Zealand Listener*. ²Speech given at the Redesigning Resources Conference, Christchurch, 2002, attended by author. ³The New Zealand Business Council for Sustainable Development is a coalition of over 40 New Zealand companies with a stated commitment to social and environmental responsibility as well as financial success and providing business leadership in sustainable development. ⁴The Business Roundtable is a group of CEOs of New Zealand’s largest companies, who advance a pro-business agenda in the media and government.

valuable it becomes. Take tourism”, he said, “while each day the world gets more complicated, more polluted the more desirable we become”!

He would know. He – like Kaikoura, like the whales, like his people – had been to the edge and looked over. Now they flourished. He saw the virtual reality whale centre and the 250-bedroom, world-class hotel, as critical for the future. However he also knew that a sustainable future required stakeholder support. He decided to begin his paper to the board with four key questions to demonstrate a sustainable way forward showing how WWK’s sustainable development journey could progress from this point:

1. Why WWK’s quadruple bottom line purpose is superior to just focusing on profit maximisation?
2. What are the core principles that underpin WWK’s quadruple bottom line?
3. What are the sustainability practices being currently applied at WWK and what will be done to address stakeholder concerns about the virtual reality whale centre and the world-class hotel developments?
4. What performance measurement criteria will WWK use to demonstrate its quadruple bottom line?

Whilst many challenges lay ahead Stone was sure that living and doing business on the edge was a great place to be for pioneers of sustainability. The edge could provide inspiration for a sustainable future.

Exhibit One – Core Community Values for Kaikoura

- Respecting and caring for the community of life for present and future generations
- Improving the quality of life for all people
- Minimising the earth’s depletion of non renewable resources
- Enabling communities to care for their own environments
- Valuing open participatory decision-making
- Valuing safe healthy and hospitable communities
- Valuing culture and history

1 UnlimitedNet. (2003, 1 December). Five years on. UnlimitedNet. Retrieved April, 2004 from <http://www.idg.net.nz/unlimited.nsf/0/AC0F8EABB5C3B64DCC256DE1007366EB>

- Valuing freedom and equality of opportunity
- Respecting and valuing the ownership of property
- Pursuing creativity, innovation and excellence
- Ensuring social equity – all people to be treated with decency, fairness and justice
- Maintaining the diversity, health and productivity of coastal and marine areas.

Source: McNicol, J., Shone, M., & Horn, C. (2002). Green Globe 21 Kaikoura Community Benchmarking Pilot Study. Christchurch: Landcare Research New Zealand Limited and the Tourism Recreation Research and Education Centre, Lincoln University.

Exhibit Two: Map and Geography

Source: www.whalewatch.co.nz and Stone, W. (2000). Whale Watch Kaikoura Limited. (<http://www.christchurchartgallery.org.nz>). Christchurch Art Gallery (2004, 5 April).

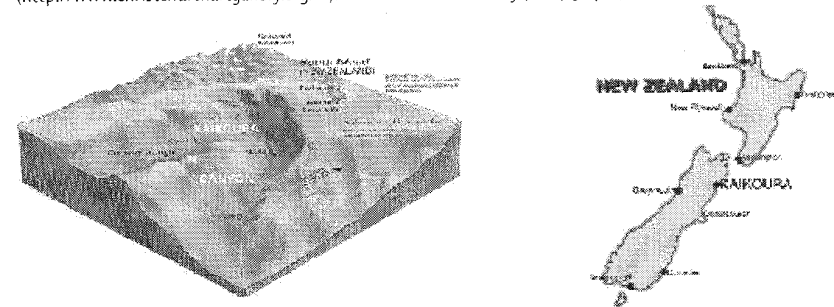


Exhibit Three: Whale Watch Kaikoura Conservation Policy Preserving the Natural Environment

Since arriving in the Kaikoura area in 850AD, Ngai Tahu have lived and worked to a philosophy of sustainable management and sensible use of natural resources. As a Ngai Tahu owned company Whale Watch® operates strictly within this philosophy. It is a philosophy which human life is an integral part of a larger dimension where all living things have their rightful place.

Whale Watch takes people to visit whales in their natural environment – we are visitors to the whales’ world and must respect it as such, at all times. Nothing will be done to jeopardize the ecosystem that maintains the whales in their natural environment and keeps them close to Kaikoura. Two internationally recognised and independent research projects have been completed by the Department of Conservation to measure the effect on the whales of our commercial Whale Watching operations. These studies were unable to identify any adverse effect.

Whale Watch vessels are designed specifically for the operation. The newest catamarans are powered by inboard diesel engines and Hamilton propulsion units which minimise underwater noise. The remaining vessels use the latest generation Yamaha outboard motors. All toilets on board Whale Watch vessels are self contained and never allowed to pollute the sea.

Whale Watch constantly monitors and patrols the Kaikoura coastline for any signs of environmental stress or danger to whales which may be caused or triggered by human interference. Detailed records are kept for each trip, covering personalised identification of the whales' location and any unusual behaviour. This information is part of the on-going contribution to scientific research by the company. Some of the sperm whales that visit Kaikoura regularly appear to recognise and trust the Whale Watch boats and do not mind being approached. New whales however, prefer the boats to keep further away. Whale Watch skippers recognise individual whales and adjust operations to suit each whale.

It is a positive testament to Whale Watch that there has been a slow but noticeable increase in the number of whales within the company's permitted range of operation.

Sustainable Tourism

For Ngai Tahu and Whale Watch, the word "sustainable" has both a physical and spiritual meaning. It is at the heart and soul of being Maori and it is from this basis that we share with our customers the experience of visiting whales in their natural environment. Since arriving in this area about 85OAD, we have formed a sustainable relationship with Kaikoura's entire ecosystem, including the sea. Our ancestors knew this simply as survival. It is this philosophy of sustainable management and sensible use of natural resources that has been fundamental to Ngai Tahu's view of life over nine centuries and dozens of generations. As a Ngai Tahu-owned company, Whale Watch is required to operate absolutely within that philosophy. It is a philosophy in which human life is an integral part of a larger dimension where all living things have their rightful place. And there must always be enough – more than enough – to sustain life in its entire spiritual and physical sense. That is perhaps why so many of our customers tell us we have given them a spiritual experience.

Ngai Tahu has lived with Tohora, the sperm whale, for about 1000 years and we intend to live with them for another 1000 years. Whale Watch is a staunch ally of the marine conservation movement. As Wally Stone says, it isn't about to do anything which will adversely affect the whales which provide year-round income – or drive them from the coast. He points to moves being taken by his company to support the international fight to continue protecting whales from a renewal of commercial killing and to prevent any resumption of the industrial trade in whale products. Japan and Norway are pursuing these issues amongst members of the International Whaling Commission. Both nations, which take hundreds of whales each year for "scientific purposes", have been accused by environmentalists and others of encouraging an illegal black-market in whale products. Stone says the Whale Watch "experience" is a powerful message against any return to wholesale whale slaughter. "We see our business as reinforcing the anti-industrial whaling message."

This in turn reinforces whale preservation; the Southern Oceans whale sanctuary and the whale protection stances adopted by many members of the Commission. "We have the most to lose, so we won't be doing anything to jeopardise the whales in our waters." Source: www.whalewatch.co.nz.

Exhibit Four: Introduction to Maori Values

About 1,000 years ago Māori settled Te Waipounamu, the South Island of New Zealand. The Kati Kuri are a sub tribe of Ngāi Tahu, New Zealand's third largest tribe with over 30,000 members. Ngāi Tahu's guiding principle is:

Mō tātou, ā, mō kā uri ā muri ake nei. For us and our children after us

The Treaty of Waitangi partnership, a covenant between the Crown and Māori, seeks to ensure that Māori remain able to protect their cultural practices and participate fully in New Zealand society, as Māori. This can only occur if Māori remain able to exercise tino rangatiratanga (self determination) in relation to their values and cultural practices. The Treaty of Waitangi principles are Kotahitanga (Partnership), Kaitiakitanga (Protection), Urunga-Tu (Participation).

Māori place a high value on whakapapa (genealogy), where all people and life forms descend from a common source. This forms the base for kinship with the natural world as all things are considered to have a wairua (spiritual dimension) a mauri (life force), and all things have a relationship with each other. The life force of taonga (natural resources) are protected by kaitiaki (guardians). The rules governing the management framework are called tikanga, and it is through kawa (protocol) that the rules, life force and spirit are pulled together.

Māori feel a strong sense of guardianship of natural and physical resources and protection of taonga (treasures) and access to these by all tribe members.

Whanaunatanga embraces whakapapa and focuses upon engendering a sense of belonging. It consists of kin and relationships between people in a Māori cultural context. When operating in a framework of whanaunatanga individuals expect to be supported by the collective group who in turn expect the support and help of its individuals.

Utu, or reciprocity, in Māori thinking is when an individual or group will reciprocate anything they receive, whether good or bad, because the challenge of such an act represents mana, or the potency and authority of a person. The thing received is not inactive, even if it is an act and not tangible as such, and contains something of the person who gave it. This thing is attached to a chain of users and itself possesses a "soul" or wairua. To give is to give a part of oneself – and to accept is to accept a part of the other. Everyone and every act then become linked, and bound by mana. To keep taking without giving back is to deplete the other and the wairua of things.

Taonga Tuku Iho is knowledge passed down from the ancestors. Māori place a high value on this knowledge.

Unlike the European enlightenment which brought forth "I think therefore I am", the Māori view is "I belong therefore I am".

Whānau (family), unlike the liberal western system that places supremacy on the individual, are the units of Māori society. An economy based on whānau capacity embraces the capacity to share, guardianship, empower, plan ahead and growth.

Source: Mead, H. M. (2003). *Tikanga Māori: Living by Māori Values*. Wellington: Huia Publishers. p.28.p.42.
 Henare, M. (2001). *Tapu, Mana, Mauri, Hau, Wairua: A Māori Philosophy of Vitalism and Cosmos*.
 Indigenous Traditions and Ecology – The Interbeing of Cosmology and Community, J. A. Grim. Harvard,
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 (Kent, Biddles Ltd), New Zealand Institute of Economic Research. (2003). *Māori Economic Development*.
 Wellington. p. 3, p. 44. Durie, M. (2003). *Launching Māori Futures*. Wellington: Huia Publishers. p. 24.

Exhibit Five: Comparison – Kaikoura 1987 to 2002

	1987	2002	Percentage Increase
Accommodation Complex	23	90	+ 291%
Guest Beds	386	1295	+ 235%
Coach Services	2 each week	49 weekly 7 each day	+ 2,350%
Licensed Premises	4	40	+ 900%
Restaurants/Cafes	10	60	+ 500%
Tour Operators & Activities	5	43	+ 760%
Taxi Services	0	2	+ 200%
Building Permits Issued	41	171	+ 317%
	2000	2002	
Guest Nights 2000	190,677	237,457	+25%

Source: Kaikoura Information & Tourism Incorporated Kaikoura District Council
 Statistics New Zealand, available at: www.whalewatch.co.nz

Discussion Question:

Divide the class into four groups. Each group prepare a brief presentation on the four key questions that Stone has developed for the board.

For teaching note, please contact Chellie Spiller at chellie@xtra.co.nz

About the Authors

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