Introduction

For all the cranes that dotted Sydney's skyline in the first half of the 1980s, the number of major building projects completed in those years seemed strangely small. Construction hoardings adorned the downtown streets, but a glimpse behind their facades—littered as they invariably were with gradually accreting posters—all too often revealed little more than another large, lifeless hole in the ground. One such gaping hole, itself a stark reminder of various building projects that had failed to materialise the decade before, was the site of the Sydney Police Centre in the inner suburb of Surry Hills. Plans for a modernistic seven-storey building for the site had been approved in October 1979, bulk excavation started in the New Year of 1980, and the first signs of construction were observed that September. The city's new lock-up would be finished by 1983, the government works department boldly proclaimed as the initial sod was turned, but almost as these words were uttered, the first (of many) strikes on the site started. Work had barely recommenced before another stoush erupted, and from then on, over the six-year period of construction, the stop-start pattern of work remained the same. In all, more than 600 days were lost on the project due to industrial action, and when the new centre was finally completed in 1986, its cost had blown out by 80 per cent to some $63 million.[1]

If Sydney's new Police Centre was the site of more industrial disputes than most in those years, it was by no means atypical. The early 1980s was a time of severe disputation in the city's construction industry—much as it had been the decade before. When plans for a 51-storey tower to serve Qantas as its new city headquarters were drawn up in 1970, few thought the airline's executives would have to wait till 1982 to occupy it. Nor did the Flying Kangaroo anticipate having to find more than twice the amount originally estimated for the privilege of doing so.[2] Many other Sydney building projects fared as badly as these.

'Continuous progress', remarked *Rydge's* business journal in 1981, 'is more an aberration than the norm in construction projects nowadays'.[3] And so too, as a result, were cost over-runs. When Sydney's new Entertainment Centre was completed in 1983, its final cost was double that initially estimated;[4] while the city's new Greater Union cinema complex, begun that same year, took five times as long—and cost nearly three times as much—as its owners first thought it would.[5] It was a sad tale and, regrettably, all too familiar.[6]

Irrespective of who was to blame for all the trouble—and neither 'bloody-minded bosses' nor the industry's 'mighty tough unions'[7] could claim the high moral ground—one thing was certain: *both* parties suffered its consequences. Construction firms saw profits squeezed and the number of forward contracts dwindle as escalating costs forced potential clients to reconsider their building plans.[8] With fewer viable projects on the contractors' books, building workers (and their counterparts in up- and down-stream industries) had fewer jobs to vie for, and longer bouts of unemployment between them. Whether the extra money they had won in their pay packets made up for that outcome was doubtful—more so as the broader economy started to dip into recession. The damage, of course, was not confined to the protagonists in the disputes. For those clients who decided to press ahead with their building projects regardless of the industrial strife, the massive time and cost over-runs left them seeing red. Meanwhile, the wider Sydney community, and the city's coffers, were also suffering the consequences. Those barricaded, dormant holes in the ground were not just unsightly and inconvenient for the public: they were a stark reminder that the city's economy was running at a good deal less than full-steam.

A few kilometres across town from the site of the Sydney Police Centre, and a couple of doors down from that of the Qantas building, the city's residents were being treated to a very different scene. On the site of another major city building project—construction of the $50 million Regent Hotel at harbourside Circular Quay—the jackhammers were working overtime and the cranes and concrete trucks were in constant motion. What many had expected to be another strike-prone project—especially given its high visibility—was actually proceeding six months *ahead* of schedule. Floor by floor the Regent's high-rise tower was ascending and, with work virtually uninterrupted by industrial action, its construction costs were being kept well in check. The scenario was unusual enough to attract national media attention, and the press was by and large 'astounded' by the 'fairy-tale progress' on the high-rise hotel.[9] Those involved with the project, while delighted, were not altogether surprised by its speed. For the Regent was being built by Civil & Civic, the construction arm of property developer Lend Lease, and with the firm's long-standing reputation for completing buildings on time and within budget, the Regent was proving another demonstration of how and why it had earned those stripes.

What was the secret of the construction firm's success? How was it that, while its counterparts were suffering such significant industrial trouble, Lend Lease's construction subsidiary was leading an apparently charmed life? These questions puzzled some in the Australian investment community in the early 1980s, as Bill Webster, then Investment Director of international finance house J. P. Morgan, remembers. 'There was no doubt that Lend Lease was quite different,' Webster says, recalling his first impressions of the company.

> It had an energy, it had a method of doing things that was different … I think the expression bandied about sometimes was that the company was 'slightly pink'—and that was because of the relationship it had with its workers, and with the unions. In Lend Lease parlance, that was all being part of the same team. But it was in an era when employers and employees or unions typically saw each other as the enemy—one was always trying to have a go at the other and get some sort of advantage. Yet the strike rate on Lend Lease projects seemed to be very low and they seemed to be coming up with solutions based on working together to achieve things. And they *did* seem to achieve things pretty well, so that raised some questions as to *how* they actually did it … There was clearly something going on there, but we in the investment community didn't quite know what it was.[10]

Whatever was going on, it was certainly delivering results, as Frank Cuzzocrea, a scaffold rigger who notched up his twenty-fifth year of employment with Civil & Civic on the Regent Hotel project, explains. 'If we had followed the example of the Police Centre at Surry Hills,' he says, laughing as he thinks back on the period, 'we would be broke by this time! You know, they started that job before us, and by the time they had finished that seven-storey police station, we had finished the 36-storey Regent.' (With excavations starting in April 1980, construction of the new high-rise hotel was complete by the end of 1982). 'Then, when we finished the Regent, we went on to build the 36-floor Connaught apartment building on Liverpool Street. Then we moved to the [40-floor] State Bank project at Martin Place. We finished that too, and they *still* hadn't finished the seven-storey Police Station!'[11] With its capacity to deliver on time and in budget on display, Civil & Civic was inundated with forward orders from both new and repeat clients. The firm won almost two-thirds of the new building business contracted in Sydney's central business district in 1983,[12] enabling it to declare a record profit that year and keep its substantial workforce steadily employed. The financial results brought a smile to the faces of the shareholders of its parent firm, Lend Lease. With its 3000-plus employees collectively owning some 15 per cent of the latter company, and all participating in its innovative profit-sharing scheme, the workers had a number of reasons to join in the celebrations as well.

What was the secret of the company's success? There they were, operating in what *The Australian* described as a 'cut-throat concrete jungle'—an industry 'where time is big money but shortcuts can kill'—and yet Lend Lease was managing to deliver the goods, profitably, with an evidently well-satisfied workforce. Two main factors gave the company its edge, according to observers quizzed by the newspaper in 1981. One was its 'pioneering' method of project organisation (of which more later); the other, its distinctive approach to labour management. Not only did the company provide 'security, safety, and steady work' to its employees—all rare on the construction scene—but it also provided them, through profit-sharing and share ownership schemes, with 'a vested interest in how well their company does'. 'I don't know if the [workers'] smiles are any bigger on a Civil & Civic site,' the head of the 'hardline' Builders Labourers' Federation told the newspaper, 'but with the extra benefits they've got to be more contented with things.'[13] And with employees more contented, less time was lost through strikes. 'The result,' another union boss pointed out, '[is] that Civil & Civic [are] able to tell their clients the finishing date of a building and stick to it, which in the building industry is a very big advantage.'[14] It all added up to a unique industrial partnership, *The Australian* reported, and it was one that was proving profitable for everyone concerned. It was not, however, some newfangled idea, for 'the Lend Lease brand of industrial relations has been a cornerstone of the company's business philosophy from its start'. Both it, and the company's advanced project management methods, bore the unmistakeable hallmarks of the corporation's founder and (then) current Chairman: an 'astute and idealistic Dutchman'[15] by the name of Dick Dusseldorp.

Although the United States enjoys the reputation of being one of the world's great immigrant nations, on a head-for-head basis Australia could stake just as sound a claim to the title. Since its establishment as a British penal colony in the late eighteenth century, the indigenous inhabitants of the world's largest island have seen successive waves of migrants reach their shores. One of the largest of these mass arrivals occurred not long after the end of World War II, as boat- and plane-loads of European refugees and immigrants, keen to make a fresh start, decided to try their luck on the other side of the globe. Carpenters and doctors, managers and farm workers, teachers and labourers—they came seeking a new life in a country promising them space and opportunity, freedom and prosperity: a chance to leave behind the horrors and hardships of war, a place to start again. Amongst their number were a young Dutch engineer, his wife and five children who left their hometown of Utrecht bound for Sydney in early 1951. Wisely sceptical of the hyperbole—for not all would find Australia the land of milk and honey its boosters claimed—the Dusseldorp family planned to give the place a try for five years, then see where life took them from there.

At thirty-two years of age, Gerardus Jozef ('Dick') Dusseldorp arrived in Sydney as the Construction Manager of a large Dutch building firm (Bredero's Building Company), his instructions being to win contracts for his employer and its joint-venture partner (a major Dutch civil engineering concern) in Australia's expanding postwar reconstruction market. A small construction company, Civil & Civic, was established for this purpose, of which Dusseldorp became Managing Director in 1953. Within five years the Dutchman had not only fulfilled his initial mandate—having lifted Civil & Civic's annual revenues substantially—but, sensing that there was more money to be made further up the value-chain, he had also floated one of Australia's first postwar property development ventures, a company called Lend Lease. Lend Lease soon acquired its sponsor, Civil & Civic, through a share swap with the latter's Dutch parent; and by the time the remaining corporate links with the Netherlands were severed in the early 1970s, Australians were proudly claiming Lend Lease—and its founder—as their own.

They had good reason for wanting to do so. Unlike many of its erstwhile competitors, the corporation had survived the dramatic vicissitudes of the postwar property cycle, boasting, by 1974, a ten-year record of annual profit increases. It had built some of the country's most outstanding buildings, including Sydney's first concrete-framed skyscraper (Caltex House), its first integrated commercial/plaza development to give valuable open space back to the public (Australia Square), Stage 1 of the Sydney Opera House, and Canberra's innovative Academy of Sciences. It had invested heavily in Australia's fledgling national capital, a move which went against the trend—for most other developers found Canberra's central planning system inimical—but which had proved both profitable for the firm and of benefit to the community. (Lend Lease's investment in Canberra, a future Australian Prime Minister would note, made an 'enormous' contribution to the city's further development.)[16] By the early 1970s Lend Lease had also sponsored Australia's first listed property trust, the General Property Trust, and was expanding its operations overseas.

From there, the corporation went on from strength to strength. By the time Dusseldorp retired as its Chairman in 1988, Lend Lease, with a market capitalisation of some $1.4 billion, was one of the country's most respected blue-chip stocks. Still firmly grounded in the property and construction industry, it had also branched out, through acquisition of one of Australia's largest life insurers, to become a major player in the burgeoning financial services sector. Its founder and Chairman was himself regarded as one of the nation's most eminent—and enigmatic—businessmen, a reputation deriving as much from the distinctive way in which he led the Lend Lease Corporation as from the scale of its success. For, as everyone who knew, or knew of, him agreed, there was something quite different about Dick Dusseldorp.

Over the years many would try to encapsulate what it was about Dusseldorp that made him unique. Journalists variously described him as 'the prince of property', 'a powerful and steel-reinforced tycoon', 'probably the shrewdest operator the Australian property market has ever seen', 'a true Australian entrepreneur'.[17] All these phrases sit oddly with another set of labels he attracted in equal measure: the 'Dutch socialist', 'a revolutionary', a 'radical … very much on the side of the under-dog', 'a boss who really cares'.[18] Long-standing Lend Lease executive David Thorne sums him up in a slightly different way. 'I call Dusseldorp a great capitalist when making the profits, and a great socialist when distributing them', Thorne says. 'Because he always had this plan of giving the profits to the stakeholders—the shareholders, the employees who produced it, and the customers who provided the jobs.'[19]

In today's parlance, Dusseldorp would probably be branded an early pioneer of 'social capitalism', for he built Lend Lease around the value of finding or creating a community of interest between its key stakeholders—getting them to transcend their traditional conflicts and divisions and work together towards a *mutually beneficial* goal. While employees and shareholders of Lend Lease were at its centre, this web of common interest also embraced the corporation's clients, its professional associates and suppliers, and the broader community in which it operated. It was a philosophy that manifested itself in every aspect of Dusseldorp's approach to business—from the project and labour management strategies he employed to enable buildings like Sydney's Regent Hotel to rise in double-quick time, to his engagement with community and public sector planning interests on urban development projects such as Canberra. Such an approach, in his view, was not only the most sustainable way of doing business, it was the most profitable as well. As companies today look for ways to meld precisely these two goals, the way Dusseldorp went about achieving them becomes of much more than historical interest. His working life offers a very practical demonstration of *how* it can be done.

If the Gordon Gecko mantra 'greed is good' was the anthem of the corporate world of the 1980s, it is a somewhat different beat to which a small but increasing number of companies are beginning to dance today. Whether it be motivated by a genuine recognition that business needs to be more accountable to the wider community on whose human, physical, and social resources it depends, or by a more utilitarian desire to protect brand reputation and boost flagging sales, some firms now openly acknowledge that the pursuit of profit at any cost may well be exacting too high a price. Concepts like the triple bottom line—the notion that companies should look to enhance not just economic but also environmental and social value in their operations (or at least seek to minimise harm in each dimension)[20]—are enjoying wider currency, in management-speak if not always in management-practice. While the concept might go by different names—North America's interest in 'social capitalism' mirrors a concern with 'corporate social responsibility' in Europe and Australasia; 'sustainable business practice' is another widely used term—the underlying principle is essentially the same. That is, it is in the long-term best interests of companies (and their shareholders) to conduct themselves ethically, to behave responsibly, to do the right thing by the communities and environments in which they operate. *Not* because they will gain kudos by doing so, but because their own corporate future ultimately, and increasingly, depends upon it.

Exactly what does sustainable business practice involve? The most comprehensive definition encompasses all aspects of a corporation's behaviour—the way it engages with entities both inside and outside the firm. It includes such things as the way it treats its *shareholders*: the dividends and capital growth it generates for them, the degree to which it stands accountable to them, as well as the extent to which it encourages their involvement in corporate governance. It also includes the way the company recruits, rewards, develops, and respects its *employees*; the quality, safety, and security of the working environment it provides for them, and the extent and methods by which it encourages their participation in the firm. Firms acting sustainably also recognise obligations to external parties—to *clients*, *partners*, *and suppliers* they owe a duty of fair treatment, the best distillation of which, Dusseldorp believed, was to do unto others as you would have them do unto you.

Finally, socially responsible businesses recognise that they have obligations to the *local community*, *wider society*, and *natural environment* in which they operate. These are not simply (or even) obligations that can be met by doling out donations to worthy causes. Tobacco firms that dish out dollars to cancer research, or sweat-shop manufacturers that sponsor 'family-friendly days', do not convince an increasingly well-informed and globally linked public that they are doing their bit for the greater good. The issues at stake here run much deeper than expressions of philanthropy—they go to the fundamentals of business activity. As a prominent adviser on corporate social responsibility puts it, 'The test is whether companies see as important the issue of *how they make their money*. If irresponsibly, in social or environmental terms, then no amount of good-cause giving will tilt their overall contribution to society back from the negative to the positive.'[21] Why, some might ask, does that even matter? It matters because running a sustainable, socially responsible business is *not* a matter of altruism. Consumers, investors, employees and regulators are the people who make up that amorphous group, 'society', and if *they* demand safe products made in an ethical way, then it is in both the long-term *and* short-term interests of business to satisfy those desires.

Such a comprehensive notion of sustainable business practice might sound good in theory, but can any corporation really be expected to do it all in practice? Although it is unlikely that *any* company could boast a pristine record on every one of the above-mentioned dimensions, some consistently do much better than others on most. Ever since the first surveys of corporate reputation were conducted in Australia in the early 1980s, Lend Lease has been consistently ranked—by its peers, expert observers, and stakeholder groups—as one of the nation's best.[22] It is not a status that has been achieved overnight. Rather, it reflects a set of values, beliefs and repeated practices—in sum, an entire corporate culture—that has been embedded in the company from the start. That culture, described by one senior Lend Lease manager as 'combining the best of the performance characteristics and orientation of the US with the socially responsible characteristics of Europe',[23] begins with its founder Dick Dusseldorp.

The imprint that Dusseldorp stamped on his business ventures—primarily Lend Lease, but also those which came before and after it—and the ways in which he made that mark, form the subject of this book. Focusing on his working life, it is not a full-blown biography; nor is it a corporate history—the first twenty-five years of the Lend Lease story have already been well told in Mary Murphy's *Challenges of Change*.[24] Rather, by looking at the ways in which Dusseldorp translated his 'community of interest' philosophy into every aspect of his business practice—from organising production to managing labour, from developing new markets to negotiating with interest groups, from influencing public policy to governing the firm—it seeks to distil the key aspects of his distinctive, and distinctly successful, approach. It does so in the belief that Dusseldorp's experience holds valuable lessons for contemporary managers, policymakers, educators, and students—indeed, for anyone looking for a better way of doing business. And these lessons are all the more powerful because they show what has actually worked.[25]

The book is structured into eight thematic chapters—essentially self-contained, and for the most part sequenced chronologically—through which runs the central thread of Dusseldorp's 'community of interest' philosophy. Taken together, Chapters 1 to 4 describe the key aspects of the new business model that Dusseldorp established in the years following his arrival in Australia in the early 1950s. Despite its critical importance to the nation's reconstruction efforts, the building and construction industry that the Dutchman encountered in his new homeland was in a parlous state. Shortages of materials and skilled labour, anachronistic work and management practices, inefficient organisation of the product market, and antagonistic and fragmented relationships between different industry players all left their mark in the form of low productivity and spiralling costs. Dusseldorp set about tackling these problems head-on—in the process managing to completely redefine the boundaries of the traditional building firm, introduce a whole new mode of organising the (design and) construction process, and revolutionise industry relationships by building new bridges between employees, managers, investors, and clients.

One of Dusseldorp's first targets was the tender-based system of construction that formed the dominant—and, in his analysis, grossly inefficient—mode of organisation of the Australian building industry. The story of the challenge he mounted to it is told in Chapter 1, 'Production Management'. Under the tender-based system, a client wishing to initiate a construction project would do so by hiring an architect to draw up the building plans and put them out to tender; competing contractors would then lodge fixed-price estimates of the construction costs of the project, the lowest of which would usually be selected as the winning tender. Dusseldorp believed there were two basic problems inherent in this hierarchical mode of project organisation. First, its counterproductive separation of design from construction denied clients the benefit of practical construction advice in the design planning phase (which, if incorporated then, could potentially reap significant cost savings without compromising the building's aesthetics), and it was also one of the main reasons for the on-site communication breakdowns between the various specialists that plagued most building projects. (Construction of the first stage of the Sydney Opera House—the story of which is told in Chapter 1—proved ample demonstration of that.) The second major drawback of the tender-based system was its flawed incentive structure, which, Dusseldorp argued, both encouraged architects to design edifices and prompted contractors to cut costs in any way they could—neither of which necessarily served the best interests of the client. Convinced that there must be a better way of organising a building project—one that yielded superior outcomes for *all* the parties involved—Dusseldorp set about finding it and introducing it to the Australian marketplace. The swift and smooth completion of another landmark Sydney project, Australia Square—the story of which brings Chapter 1 to a close—proved a concrete demonstration of the benefits of that 'better way'.