An Entrepreneur Commercialises Conservation
The Case of Earth Sanctuaries Ltd*

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In this paper the author presents a case study of Earth Sanctuaries Ltd, an attempt by one entrepreneur to marry stock-market capitalism with native wildlife conservation. Launched in 1985, the company was listed on the Australian Stock Exchange in 2000 and rapidly expanded to operate ten different sanctuaries. However, by early 2002, the company faced a number of major problems that threatened its survival, including difficulties relating to the uniqueness of its business model, cash-flow management, the process of securing capital from external investors and an overly ambitious growth agenda. The primary goal of Earth Sanctuaries is to regenerate some of Australia’s original ecosystems by eliminating introduced species and managing the land back to the point where original plant and animals can be successfully reintroduced. The firm then generates income via tourism, merchandise sales, accommodation and consulting services. The enterprise is the brainchild of Dr John Wamsley, who until recently also ran the firm as chief executive officer. The case study outlines the genesis of the original business idea by the founding entrepreneur, the history of the firm to date, the steps taken to ensure its survival and the lessons that can be taken from this pioneering ecopreneurial project for other new entrepreneurial ventures.

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Entrepreneurship is widely acknowledged to be one of the engines of growth in all economies. It was Schumpeter (1934) who first argued that the innovations made by entrepreneurs are an important strategic factor in economic development and growth. Yet mounting evidence in the natural environment has suggested over recent decades that growth does not traditionally work hand in hand with the preservation of nature. Increasing levels of pollution, loss of biodiversity, land degradation and climate change are only a few examples of this, suggesting an increasing need for environmental responsibility in entrepreneurship or, in other words, an increasing need for ecopreneurship (Isaak 1998).

Ecopreneurs, as catalysts for change and innovation in society, can play a central role in the shift from a techno-economic ‘trajectory’ based on exploiting irreplaceable natural resources—soil, water, biodiversity and climate—to one that preserves and conserves these assets. Never before has there been such an opportunity and need for innovation that meets the needs of consumers without damaging the planet’s natural resource base.

Much of the early research in ecopreneurship focused on ‘green entrepreneurs’ (Isaak 1998). Green entrepreneurs manage or launch so-called ‘green’ firms that attempt to modify existing business models by becoming cleaner and greener (i.e. by the adoption of techniques such as cleaner production, or design for environment) and seek to gain a cost or marketing advantage over their competitors in the process. The opportunities available can lead environmentally conscious entrepreneurs to independent start-ups (e.g. The Body Shop, Ben & Jerry’s, Patagonia) or to various forms of corporate venturing initiatives, such as new divisions, new subsidiaries and joint ventures. Typically, green entrepreneurs are individuals who develop an innovation that either reduces resource waste and impacts or improves efficiencies.

However, there is also evidence that a new breed of ecopreneurs is currently emerging—those who are both aware of environmental issues and whose business venture is in the environmental marketplace. Such entrepreneurs pursue environmentally centred opportunities that show good profit prospects. These ‘green-green businesses’ (Isaak 1998) are founded by entrepreneurs on the principle of sustainability from the very outset and work to a fundamentally different business model. Perhaps the best, and to some extent, most extreme examples of this type of ecopreneurship are those concerned with the conservation and restoration of flora and fauna. Earth Sanctuaries Ltd illustrates one of the world’s most audacious attempts yet to marry stock-market capitalism with conservation.

This paper provides a brief case-study analysis of Earth Sanctuaries Ltd (hereafter referred to simply as Earth Sanctuaries). I begin by presenting the business model of the company and then outlining the key role of the founding entrepreneur, Dr John Wamsley. I then discuss the history of the firm to date, before concluding with the lessons that can be applied to other green-green businesses.

The Earth Sanctuaries business model

Since the advent of European settlement in 1788, Australia’s original landscape and organisms have been substantially affected by human activities. Much of the original vegetation has been cleared, both for settlement and for agriculture. Numerous animals have been wiped out, and Australia has perhaps the world’s worst record for the number of mammal extinctions in the past two centuries. Many feral plant and animal species were deliberately introduced by Europeans, such as the fox, rabbit, cat and numerous plant species; today they have successfully competed against many small native species and have forced them to the verge of extinction.
The primary goal of Earth Sanctuaries is twofold: the conservation and restoration of Australia’s indigenous wildlife and flora, and the ability to make a profit in the process. It does this through a relatively simple process. Large tracts of land are purchased by the firm and fenced off from the surrounding countryside; then, all introduced plant and animal species within that land are systematically eradicated. The original native organisms are then reintroduced and should, in the absence of exotic competitors, eventually be able to thrive again. Once the land is at a point where there is sufficient capacity to sustain tourist operations, it is opened to the public for viewing. Ancillary facilities that complement tourist visits are also provided over time.

In this way, Earth Sanctuaries is able to generate revenue from tourist visits, merchandise sales, accommodation and conference facilities as well as through the sale of outsourced consulting and contract services for wildlife and conservation management. For example, the following facilities are offered through its Warrawong Earth sanctuary:

- Wildlife adventure walks
- Wetland and rainforest walks
- A restaurant
- Cabin accommodation on-site among the wildlife
- Conference and meeting-room facilities
- Reception venue
- A native plant retail nursery
- An environmental book and gift shop

There is also a small but significant trade in native animals as well. Earth Sanctuaries buys breeding stock from conservation authorities and in turn provides animals to those same agencies as a means of broadening the genetic pool of the species.

Underpinning all the activities of Earth Sanctuaries is the assumption that natural biological systems, if carefully nurtured and restored, have the capacity to regenerate and sustain themselves indefinitely with proper ongoing management. For example, many native animal species have been able to grow relatively quickly in large numbers within the protection of the reserves of Earth Sanctuaries, because they no longer face competition and predation from exotic species. Some of the mammal species now found within sanctuaries set up by Earth Sanctuaries, such as the mala, numbat, eastern quoll and bilby, are found in very few places outside feral-proof properties.

One example is the woylie. This tiny kangaroo stands just 200 mm high and once could be found throughout the non-arid and semi-arid zones of Australia. It originally filled the niche now occupied by rabbits but was squeezed out by habitat destruction and competition from introduced animals. By the early 1970s they were only 200 woylies left in the world, rendering it ‘critically endangered’ (i.e. in imminent danger of extinction). Only one surviving population could be found, and this was confined to the Dryandra forest region in Western Australia. Working in conjunction with Western Australian government conservation agencies, in the early 1990s Earth Sanctuaries relocated about 20 individual animals into its sanctuary system. Today, that population alone numbers over 1,000. Along with other captive breeding programmes, the total global population of woylies is now several thousand.

Another success story has been the bridled nailtailed wallaby, which was also listed as critically endangered. It cost Earth Sanctuaries over Aus$60,000 to have six of these medium-sized animals caught and transferred from their remaining habitat in rural Queensland. However, the population of wallabies has thrived in a secure habitat, and there are now over 80 individuals in the sanctuary system.
Animals for the Earth Sanctuaries system are sourced from a variety of different avenues. When the business began, John Wamsley obtained his original breeding stock simply by buying some animals from advertisements in local newspapers. In this way, he reintroduced potoroos (miniature kangaroos that have survived unchanged for the past 10 million years), pademelons (small wallabies) and wallabies from stock out of the local newspaper. Although state and national government wildlife conservation agencies were initially reluctant to become involved, the success of the Earth Sanctuaries breeding programme has led them to assist the firm in the translocation of more animals. They now have an ongoing trading system with Earth Sanctuaries, whereby small populations of threatened species are moved into the sanctuaries and other individuals are transferred out to other breeding populations. In this way, the genetic diversity of various species is maintained and the risk of extinction reduced by the existence of several physically separate breeding groups.

The long-term goal of the firm is to establish a series of sanctuaries across the continent, covering all the different biological and geographical regions within Australia. To achieve this, a total of some 80 different sanctuaries were ultimately envisaged. A second—and just as important notion—underpinning all the activities of Earth Sanctuaries is that conservation can be made to produce a profit. To this end, the organisation is structured as a profit-making business entity; it does not rely on, nor seek, government grants or philanthropic donations to underpin its activities (Earth Sanctuaries 2001).

More details about the company, and a brief history of the various different species protected under the Earth Sanctuaries sanctuary system, can be found on the company website, at www.esl.com.au.

The entrepreneur and his vision

The Earth Sanctuaries concept is the brainchild of one individual, Dr John Wamsley, a former mathematics professor at Flinders University in Adelaide, South Australia. It is he who originally conceived the idea, who started the business and who managed it for most of its existence.

Wamsley has always had a concern for the native wildlife he grew up with as a child in and around Newcastle, near Sydney. In the 1970s he gained a certain amount of public prominence with his strident campaigns against introduced animals. For example, he was put in jail for cutting down foreign pine trees, and he later acquired a reputation for wearing cat-skin hats in public to highlight the carnage that imported pets have wreaked on Australian wildlife. He also gained a certain amount of public notoriety for claiming that the only good cat was a dead cat. In 1985 he set up a private wildlife sanctuary on a dairy property in the Adelaide hills, called Warrawong. He closed off the area with a specially designed feral-proof fence, removed introduced animals (such as cats and foxes) in the area and gradually restocked it with the native wildlife and plants that had existed there before European settlement.

Originally, he began his activities as a personal interest and operated on the assumption that, overall, conservation was perhaps best managed by government agencies and environmental groups. However, over time he became increasingly disgruntled with the effectiveness of public-sector and non-governmental groups, accusing them of allowing species to become extinct even after they had assumed responsibility for the creature's protection. At best, he argued, most conservation projects managed only to delay the extinction of endangered species. The only way to ensure that threatened animals thrived in the long term, he claimed, would be to make such projects profitable so that there would be vested interests whose commercial skills would be actively directed towards protecting and re-establishing native wildlife.
A for-profit business model, in this perspective, can do as good as or better than any public or community-sector organisation. ‘Conservation is about the only thing still operating world-wide on a socialist model’, Wamsley has claimed. ‘These days, you won’t be able to save anything unless you do it in a proper commercial environment, with proper dollar values on things’ (cited in Donnan 2002: 10).

In 1986 he resigned from his job at the university to manage Warrawong as a full-time venture. In 1988, the operation adopted a proprietary limited company structure and in 1993 it became a public company. In May 2000 the company took its biggest step forward when it was formally listed on the Australian Stock Exchange (ASX), just before the dot.com crash. By this time it had purchased several different properties across South Australia, New South Wales and Victoria. Its pitch to public investors was quite clear, and quite innovative: here was the world’s first company to be listed on a stock exchange with conservation as its primary business and with profit as its motive. No longer did people have to donate money if they wanted to save endangered species; instead, by funding private reserves open to paying visitors they could invest in it to the same end.

Opportunity and survival

In the three years since the stock-market launch, the firm’s fortunes have ebbed and waned. During 2001–2002 it came quite close to closure, as a number of issues began to affect its viability. The first of these was created by the enthusiastic ambitions of the firm. The company bought perhaps too much land in remote areas too quickly, instead of developing sanctuaries near cities. Many of the ten sanctuaries under Earth Sanctuaries’ control were draining the cash reserves of the firm. There is an extremely high capital cost involved in setting up an Earth Sanctuary. Fencing large areas of land is prohibitively expensive (proper feral-proof fences cost in the order of Aus$20,000 per kilometre). Many plant and animal species take years to re-establish themselves in sufficient numbers to be both ecologically sustainable and an attractive tourism feature. As a result, there is often a long lead time between commencement and financial viability. Only a few of the properties were actually cash-flow-positive.

The initial public offering raised just Aus$12.1 million and, apart from land purchases, those funds ‘were being used to cover the cost of day-to-day running expenses’, the chairman of the Earth Sanctuaries board remarked; ‘There was never any real prospect that some of our more remote sanctuaries could be made to break even in the short term and we were in the typical position of many companies who have significant assets but a diminishing cash flow’ (cited in Donnan 2002: 10).

A second issue related to the measurement of profitability. In the early days of the firm, conventional accounting principles did not allow ‘self-regenerating assets’ (animals and plants) to be included in a firm’s balance sheet or profit-and-loss statement. Eventually, however, those rules changed. Under Australian accounting rules, the company can now list wildlife and other conservation holdings as ‘self-generating and regenerating assets’—just as if they were wheat crops, apple trees or cattle. Using this quirk of accounting standards, a single ‘endangered’ platypus is worth Aus$5,500, whereas a ‘vulnerable’ long-nosed potoroo is worth Aus$2,750, and a ‘rare’ southern brown bandicoot is worth just Aus$1,375. As the company breeds the animals successfully, it can claim growth in its animal stock as part of its revenues, but in some cases that alters the company’s financial profile considerably, even though gains are unrealisable because there is no legal market for the threatened species. To address this problem, it was eventually decided to omit wildlife assets from the annual profit-and-loss statement and the balance sheet of the firm, resulting in a substantial write-down in
assets. They are now listed in the notes to the accounts and reported on for shareholders to monitor mammal populations and conservation successes within the sanctuary.

Third, like many new entrepreneurial ideas, the novelty and uniqueness of Earth Sanctuaries made it hard for it to win financial support from institutional investors. The charitable motives of the existing shareholders of Earth Sanctuaries made it difficult for investment houses, stockbrokers and banks to take Earth Sanctuaries seriously as a business. Many also had problems in understanding the new business model being pioneered. Their doubts were compounded by the overly aggressive expansion plans that led to cash-flow problems. The collapse of high-technology stocks in 2000, and the subsequent decline in the value of most Australian listed stocks, also made it hard for small companies to secure institutional capital. The upshot was that the company was unable to raise the funds needed to open potentially lucrative sanctuaries near Sydney and Melbourne.

These difficulties were exacerbated by one of the company’s own strategies for raising capital. Its option plan offered free options to anyone who chose to exercise them immediately at the action price of Aus$2.50 a share. This has attracted many of the company’s charitably minded individual shareholders, because the money from the options—which buys them shares at a price more than ten times the current market value—goes straight to Earth Sanctuaries rather to other investors. But this scheme, coupled with a discount share purchase plan, raised only about Aus$800,000 and had the effect of removing much of the demand for the listed shares.

A further, fourth, problem unique to the Earth Sanctuaries business concept were a number of legal barriers, because the control and movement of native wildlife is tightly regulated in most Australian states (Aretino 2001). Obtaining new breeding stock of mammals usually requires the consent of state conservation agencies, and in many cases it is very difficult to trade animals on the private market. For example, the quoll is a small animal often referred to as a ‘native cat’, which can be domesticated and raised as a pet. However, whereas introduced cats are freely bred, sold and kept by many Australian households (and have been shown to be largely responsible for the demise of many native species of birds), it is illegal in many parts of the country to keep quolls or similar indigenous mammals. This regulatory framework produces an illiquid market for one of the firm’s biggest assets—its wildlife stocks.

A fifth challenge was in the management and organisation of the firm. With the launch onto the ASX it became increasingly apparent that there was a need to adopt a more conventional management structure. To this end, a full-time chief executive officer (CEO) from outside the organisation was appointed, although this position was subsequently eliminated during the cash-flow crisis.

By January 2002 all the company’s assets—including 2,855 animals which, by its own reckoning, were worth more than Aus$5 million—were put up for sale. There was a substantial change in the composition of the board of directors, and in February 2002 John Wamsley resigned as managing director. He was replaced by his wife, Proo Geddes, in a revised corporate structure. In addition, a number of middle-range executives were made redundant at this time in an effort to conserve and reduce operating expenses. All these measures were deemed necessary to prevent a slide into liquidation (Earth Sanctuaries 2002).

Today many of those problems are being sorted out. After a company restructure in the first half of 2002, the firm retained three properties open to the public (Warrawong, Little River near Melbourne, and Hanson Bay on Kangaroo Island) and sold the remainder to private individuals and (ironically enough) a non-profit organisation with similar aims to that of Earth Sanctuaries. The firm now employs about 50 staff throughout its different branches. Warrawong sanctuary is thriving. It is the home of many rare and endangered species found in only a few places in Australia and is the
only facility outside of a zoo to have successfully bred platypus in captivity. It also boasts accommodation facilities and a plant nursery and has been the recipient of numerous tourism awards over the years since it opened to the public (Earth Sanctuaries 2002). Already certified by the National Tourism Accreditation Board and National Ecotourism Accreditation Programme, it is investigating certification under the international Green Globe 21 standard for best practice in ecotourism ventures.

Although no longer managing director, John Wamsley is still very much a dominant figure in the company’s operations. The restructuring has freed up John to concentrate on future business strategies, planning and the actual development of new sanctuaries. He has also taken on the role of president of the Earth Sanctuaries Foundation—a non-profit group that works in partnership with Earth Sanctuaries for the benefit of Australian wildlife and its habitats. Although he no longer holds any formal executive role within Earth Sanctuaries itself, he remains the largest single shareholder within the firm. It is John Wamsley who is still the public persona of Earth Sanctuaries and the centrepiece of most of its promotional activities.

Wamsley’s own management style has had to change over time as well. From being the founder of the venture and its driving force, John now finds himself in a very different role. He had previously been its day-to-day manager and public spokesperson and had featured in numerous television programmes and magazine articles. In recent years he has had to hand most of these functions over to other staff members. As he himself has remarked, ‘the biggest problem personally, along the way, has been the hard task of learning to delegate; there’s no such thing as half delegation’.

However, the history of Earth Sanctuaries is not solely one of problems. Although one of its goals—the creation of a viable public firm—has faced difficulties, its other key objective—the introduction of an alternative way of conserving native flora and fauna—has been largely successful. Several species have been rescued through the work of Earth Sanctuaries, and the company has also awakened the interest of policy-makers and green groups into other modes of conservation apart from the traditional framework of state-run and publicly funded nature estates (Aretino 2001).

Conclusions:
what can be learned from the Earth Sanctuaries experience?

The story of Earth Sanctuaries to date illustrates some important principles and issues that other ecopreneurs may also have to address. In the first place, it shows the difficulties that any new entrepreneurial venture can face when it tries to launch a radical innovation on the marketplace. The Earth Sanctuaries business model is not a minor (incremental) form of business innovation; it is a relatively new and unique (radical) change. As the response of institutional investors has shown, it can be hard to easily win market acceptance of the idea. When the business model is new and different, it is often the case that the first mover may have to face and overcome many unique teething problems if other businesses are to follow in its wake.

Second, it also shows that although the triple bottom line is an important feature of an ecopreneurial business project, the financial bottom line is still the predominantly important one. There can be no doubt that Earth Sanctuaries has been substantially successful in its attempts to improve environmental outcomes in the locations where it has created sanctuaries. However, monetary returns are still more critical. The business almost collapsed in early 2002 owing to cash-burn problems, and no amount of environmental accounting can offset the loss in the fiscal accounting domain.
Third, the firm shows that ecopreneurial projects are not immune to the common risks that all other entrepreneurs also face. It has, for example, fallen prey at times to overly ambitious expansion and growth goals, which very nearly killed it.

Finally, it also demonstrates that the individual entrepreneur is still a critical linchpin in any entrepreneurial venture, and that his or her values substantially shape the nature of the firm that is created. In many respects, Earth Sanctuaries is a product of John Wamsley and his own personal attitudes. Indeed, although Earth Sanctuaries shares some common characteristics with many other green companies previously identified in the literature, such as a sustainable development agenda, eco-friendly products and processes, and strong green values (Mirvis 1994), what sets Earth Sanctuaries apart from many other green firms is the predominant role and personality of the founding entrepreneur. Today, Wamsley remains convinced of the validity of his big idea. Bureaucrats and institutional investors may have weakened his business model for now, he says, but one day the world will be ready for other conservation companies with a stockmarket listing: ‘I’m probably just 20 years early with the idea’, he claims (cited in Donnan 2002: 10).

The story of Earth Sanctuaries is still very much that of a work in progress. Whether the project ultimately succeeds or not remains to be seen, although the prospects for the firm now seem more positive than would perhaps have been the case two years ago. For many green entrepreneurs, however, it is not just the development of a business that is important. The generation of beneficial environmental impacts and the development of new innovations that may in time also be taken up by other businesses are also significant. When viewed from this perspective, John Wamsley and Earth Sanctuaries can be said to have already made a clear—and positive—impact on the market.

References