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Embedding Corporate Responsibility and Sustainability Marks and Spencer

David Grayson

ABSTRACT: the British retailer Marks & Spencer aspires to be the world's most sustainable major global retailer by 2015. To speed their journey, they have aligned sustainability with core strategy. Top leadership is driving the strategy which is overseen by the board. M&S have made a very public commitment: Plan A with measurable targets, timescales and accountabilities. The strategy is being integrated into every business function and strategic business unit; and involves suppliers, employees and increasingly customers. To enable implementation, the company is developing its knowledge-management and training; engaging with wider stakeholders including investors; building partnerships and collaborations; and has evolved its specialist sustainability team into an internal change-management consultancy and coach/ catalyst for continuous improvement.

KEY WORDS: Marks & Spencer; Plan A; corporate sustainability; embedding sustainability; engaging stakeholders; sustainability through value-chain; shared value.

British retailing is amongst the most competitive of business sectors anywhere in the world. It is all the more instructive that a number of the leading British retailers are competing fiercely on responsibility and sustainability. Amongst these, the iconic Marks and Spencer (founded in 1884), has set itself the ambitious goal to become the world's most sustainable major retailer by 2015. This represents a significant elaboration and extension of its "Plan A" commitment to sustainability ("Plan A because there is no Plan B for the one planet we've got!") first launched in Jan 2007. (ILLUSTRATION) It is the latest stage in a continuing journey to embed corporate responsibility and sustainability – see illustration. Krishnan Hundal – head of general merchandising sourcing and technology, and one of the key M&S executive directors in implementing Plan A – describes the company's evolution from yesterday's corporate social responsibility to today's "How we do business" (HWDB) to tomorrow's "the business we do."ⁱ

BACKGROUND

The company was founded with strong values of fair trading: treating staff well, building long-term shared destiny relationships with suppliers, and offering good quality and a liberal approach to customers wishing to return / exchange goods purchased. This paternalistic approach included generous contributions to charities

and community causes, developed further around the company's centenary. It survived until the 1990s when globalisation and increased competition led to the abandonment of many traditional suppliers and loss of market shareⁱⁱ. The company reached its nadir with a hostile take-over bid led by the billionaire retailer Sir Philip Green in 2004. M&S changed its leadership, fought off the hostile bid (thanks in part to the residual loyalty of an army of small-scale, private investors, customers and commentators), and as part of its recovery plan, overhauled the long-standing commitment to corporate philanthropy and community involvement, in favour of embedding higher standards of environmental and social performance across the business.

LEADERSHIP: TONE FROM TOP

The original Plan A - launched publicly in Jan 2007 – contained 100 specific targets to be met by 2012 to help embed responsibility and sustainability through the business. It was built around five “pillars” - climate, waste, sustainable materials, fair partnership & health. Plan A was the brainchild of Sir Stuart Roseⁱⁱⁱ – the former M&S manager brought back by the board to be CEO in early summer 2004, to fight off the hostile bid from Philip Green. In his six and a half years + as CEO, then executive chairman and most recently as non-executive chairman, Rose has led from the front on Plan A and sustainability.^{iv} Rose was careful to hand the Plan A baton over to his successor as CEO: Marc Bolland at one of the regular Plan A stakeholder consultations, held in June 2010. In turn, Bolland from the outset stressed his personal commitment to continuing with Plan A. In his first day as CEO, he spoke to a mass meeting of head office staff in the company's Paddington Basin corporate HQ to explain his leadership strategy; and then took unscripted questions. To most questions he promised to look and learn and to answer in six months – but to questions about Plan A, he replied without hesitation that there would be no let-up in implementation. Indeed, Bolland is now pushing for greater consumer-focus for Plan A and looking to concentrate on those individual targets proving harder to achieve.

Whilst Rose was very strongly associated with Plan A, the M&S commitment very visibly and concretely had the commitment of top leadership. In addition to the appointment of a senior executive: Richard Gilles as Plan A director (previously in charge of new store development), a team of top executives had direct responsibilities for the implementation of the Plan A targets in their areas of the business. Thus the head of food technology, Paul Willgoss, handled innovations eg in food packaging and product formulations; whilst Krishan Hundal led on piloting of green factories with clothes suppliers and living wage pilot initiatives in Bangladesh with other suppliers. A percentage of senior executives' bonuses related to delivery of their Plan A-related Key Performance Indicators.

GOVERNANCE AND OVERSIGHT

Governance and oversight of Plan A is led by “The how we do business committee” originally chaired by Rose and now by Bolland and involving senior executives from across the company responsible for implementing Plan A. This group meets monthly and has now met on more than 50 occasions. Bolland has now added a 2-monthly

meeting, with the M&S executive board to ensure Plan A is aligned with Group strategy and investment decisions. Regular reports are provided to the main M&S plc board, which includes the non-Executive Directors. It is an indication of the success and profile of Plan A that the main board reviews Plan A every six months as part of the Risk committee and review of the Risk Register – threats to Plan A are seen as threats to corporate reputation and commercial success.

PUBLIC COMMITMENT

Plan A with its very measurable and specific targets became a very public and high profile BHAG – *Big hairy audacious goal*^v - launched in Jan 2007 – initially to staff and institutional investors, and then to customers and Civil Society stakeholders. Two and a half years in to the original five year Plan A programme, Rose and his senior colleagues concluded that they needed to ramp up the commitment. They reasoned that there was mounting global evidence of environmental and social harm (what the Chief Scientific Adviser to the British Government Prof Sir John Beddington has called a “Perfect Storm”); M&S had learnt that it could make a positive difference to these issues; M&S had found positive commercial results from their commitment with significant savings; consumers were increasingly concerned about sustainability and looking for leadership by the brands they trusted; and competitors were improving their own performance^{vi}. For all these reasons, M&S in early 2010 announced an extension of Plan A with additional targets and the overall objective of becoming the world’s most sustainable major retailer by 2015. Work is due to start in March 2011 to develop more detailed criteria for the most sustainable retailer goal. It is envisaged this will be tested with stakeholders from autumn 2011 onwards.

INTEGRATING INTO OPERATIONS AND STRATEGIC BUSINESS UNITS

Whereas before Plan A, the M&S environmental and social commitments tended to be bolt-ons to business operations – run by a specialist CSR function – the Plan A commitments are built in to business purpose and strategy, and require each part of the business to change the ways they do business. Marks & Spencer are clear that Plan A is a change management brand. In human resources, for example, there is additional work around health and well-being for employees with a well-being website and healthy eating workshops. Those responsible for new store development have targets around creating more ecological stores. The company has a central innovation fund to facilitate Plan A implementation. There are currently more than forty projects being funded, e.g. for new logistics, refrigeration and packaging. The great majority of these projects have been proposed by business units responding to Plan A targets. A few have been suggested by the corporate centre to tackle log-jams in Plan A implementation. Increasingly, M&S marketing is emphasising its sustainability credentials (on pack, in-store, and in print and TV advertising). By 2020, the goal is that every single product sold by M&S will have a Plan A story – and preferably two or three stories. Purchasing staff have had a particularly heavy work-load as more than half the original 100 Plan A targets involved changes in suppliers’ practices.

ENGAGING THE VALUE-CHAIN

Indeed, engaging the value-chain has been a key feature of Plan A. Before publicly launching Plan A, Rose met privately with the CEOs of M&S's largest suppliers – typically billion pound+ businesses in their own right. Rose took his key suppliers through Plan A and the rationale for it – and was pleasantly surprised to find a receptive audience. “If it wasn’t you requiring this, some of our other big business customers would be – and we would prefer to learn how to do this with you,” was a typical response. M&S set up an on-line Knowledge Exchange for its 2,500 suppliers to learn from each other, as well as with M&S, in implementing higher sustainability standards. In the first summer, that the exchange ran, 1500 suppliers participated. The Knowledge Exchange continues particularly through working groups on particular issues such as refrigeration. In February 2011, 1000 suppliers attended a one day conference in London which the company believes to be one of the biggest sustainability conferences to be held in the UK in 2011. The conference had, more than 25 practical ‘how to’ break-out sessions, and keynote speeches from Marc Bolland, new M&S Chairman Robert Swanell, John Brook, Chairman and CEO of Coca-Cola Enterprises and leading environmental campaigners such as Jonathon Porritt. M&S has continued to help finance and run pilots with key suppliers so that all can learn about how to innovate for Plan A in the most cost-effective ways – and the company has also provided information about possible sources of capital finance for suppliers eg from the World Bank / IFC – especially those in developing economies – when capital investment is required to meet the higher environmental and social standards. Other suppliers are now being taken to learn from these model factories.

More recently, M&S have sought to more actively engage customers as well. One of two additional “pillars” to Plan A (building on the original five) announced as part of the Plan A extension in 2010, is to engage consumers. The company did considerable market research to understand consumer views on sustainability. They segmented customers into those disinterested; those who might take episodic action; “light greens” who would act if companies like M&S made it easy for them to do so; and “deep greens” – committed to changing their behaviour and supporting efforts to help them to do so. SEE ILLUSTRATION.

M&S has been an early practitioner of what WWF has described as the process of (1) innovation; (2) choice-influencing; and (3) choice editing. M&S moved early to choice-edit by selling only free-range eggs and using only free-range eggs in their prepared food; and by selling only fair-trade tea and coffee. Their decision to charge 5p for plastic disposable carrier bags (with all profits from the sales going to support the work of the environmental charity Groundwork in creating 100 ‘greenspaces’ in communities across the UK) was a high-profile (and some thought initially, high-risk) choice-influencing – which has led to a substantial 80% reduction in plastic bags used in its food halls – and raised much needed funds for Groundwork.

EVERYBODY’S BUSINESS

The other additional “pillar” to Plan A (building on the original five) announced as part of the Plan A extension in 2010, is to engage employees. Long before Plan A, M&S had been a pioneer in employee volunteering into the community (linking this,

particularly for young and junior managers, to personal and professional development eg through 100 hour Development Assignments). M&S had also seconded managers to government and Civil Society organisations as part of corporate citizenship and management development. With the launch of Plan A, however, there was a concerted drive to engage all 75,000 employees in improving the firm's environmental and social performance. Each of the 650 M&S store has a volunteer "Plan A champion" who takes on responsibility for involving co-workers in in-store implementation of Plan A, on top of their day jobs. SEE BOX AND ILLUSTRATION. Most stores now also have volunteer Green Teams. There is also now a regional network of Plan A champions who meet once a quarter to swap experiences and share good practice. Plan A champions don't have the accountability for delivering Plan A in their stores – that remains with individual store managers – but to enthuse their co-workers to be proactive on Plan A implementation and spot opportunities to change established practice. Four years into Plan A, M&S have found that the champions need to be self-confident, good communicators and good motivators; and that the corporate centre can give practical support by keeping them informed on how their store is doing on Plan A and by providing regular "talking points" to use with co-workers. Staff were given opportunities to test out some of the Plan A innovations before these were launched to the public. Thus, for example, M&S's new loft insulation service was first offered to employees – with 10,000 taking up the offer of free installation before it was available to the public. Indeed M&S Energy Saving Service which now has nearly 500,000 accounts came about as a result of a business opportunity spotted by a line manager in the homeware division.

BOX: Championing Plan A

21 year-old Rachel Barton is one of the volunteer, in-store champions for Plan A – in the Eastbourne store where she works, on the English south coast.

Rachel joined M&S part-time whilst still at school, working Saturdays and continued to work for the company whilst she took a geography degree at Southampton University. Whilst at university, her interest in sustainability was stimulated, so when she returned to the Eastbourne store full-time after graduating, she took little persuading when colleagues encouraged her to apply to be a Plan A champion. This involves reporting to co-workers on progress both in the Eastbourne store and generally, and enthusing and coaxing colleagues to get more involved in different aspects of Plan A implementation.

Since August 2010, Marks and Spencer has been measuring each month the performance of all their stores against seven Plan A metrics seen as the most relevant for stores, such as electricity consumption, waste recovery and paper usage. Stores get their ranking on each of these seven metrics as well as a total Plan A ranking. The monthly rankings data is proving a useful tool for the in-store Plan A champions like Rachel, to generate interest and harness competitive instincts. Eastbourne, for example, ranked 180th overall last August but now has climbed to 19th place. Challenged on why the store has a relatively low ranking on electricity, Rachel doesn't miss a heartbeat, before explaining that the store is being refurbished so the electricity is running through the night whilst the workmen refit when the

store is closed. Rachel uses existing store staff communications like Eastbourne's "have I got news for you" flyers to spread Plan A ideas and results which she gets herself from the company intranet and her regional Plan A champion.

More than four years into Plan A, the network of in-store champions is also proving an early additional outlet for younger employees to demonstrate what they can achieve. A significant number of the champions are now moving into the Marks & Spencer management development programme, because the key attributes of Plan A champions are proving to be good people skills, a capacity to engage and enthuse, to inspire and lead change (M&S are clear that Plan A is a long-term change-management programme) and obviously a keen interest in embedding sustainability.

ENABLING PLAN A

In driving Plan A, M&S has worked with a wide range of existing and new partners (some commercial, some academic, some public sector and some not-for-profits) to innovate and build up its knowledge-base of how to embed sustainability. Plan A has accelerated the move towards new and innovative partnerships such as the Better Cotton Initiative; and often now involves collaborations with otherwise fierce retail competitors. Detailed annual Plan A progress reports, identifying targets achieved, well under way or still to tackled have described both successes – and areas of difficulty. Initially, six-monthly meetings led by Rose and his top team reported back to key external sustainability stakeholders –ranging from Greenpeace and WWF to PETA and Compassion in World Farming. At these 2 hour events, stakeholders are free to ask any questions they wish about Plan A performance – and this frequently leads to further consultations. These events are now annual but have been extended also to key suppliers and most recently to institutional investors as well.

M&S has managed to develop some of its traditional company-charity relationships into mutually beneficial partnerships. Its seventeen year relationship with the development charity Oxfam, for example, has been transformed with Oxfam charity shops handing out £5-off vouchers redeemable in M&S stores when members of the public donate their old M&S clothing to the Oxfam shops. Besides increasing business for Oxfam charity shops and generating new revenues for M&S as vouchers are redeemed the programme emphasises the resilience of M&S clothing and enhances relationships with M&S customers. The Oxfam-distributed vouchers have a much higher redemption rate than other M&S vouchers and has proved very successful for M&S. Significantly, the idea for the money-off vouchers with Oxfam came from an M&S employee rather than the Plan A team.. Plan A is now integrated within the company's main leadership Development course. Participants are given personal projects to complete which are real and current Plan A "problems" which need fresh thinking to solve.

As a founding member company of the UK's premier business-led CR coalition: *Business in the Community* and twice the BITC "Business of the Year" (first – controversially – in 2004 at the height of the hostile take-over bid; and then again in 2006), M&S has used networks like BITC (where Rose was chairman from 2007-2010) both to learn and to share its learning with other businesses.

There is an annual Plan A progress report with external assurance provided by Ernst & Young. This provides data on each Plan A target, whether it has been achieved and if not, what still needs to be done. Having external auditors crawl over the Plan A report with the same seriousness they devote to the company's annual report is seen as a valuable, additional discipline to keep moving forwards. Additionally, key staff receive a 2- A3 page "traffic lights" status report on Plan A every month.

M&S retains a specialist sustainability function – but unlike in those companies where sustainability remains a "bolt-on," the M&S specialist team are not expected to implement Plan A themselves. Instead, they serve as an internal change-management consultancy, a repository of how-to knowledge and relationship managers, with the crucial tasks of collating the measurement and reporting of Plan A performance, facilitating continuous improvement and mentoring line management. An internal Plan A innovation fund is open to all employees and administered by the sustainability department led by Mike Barry.

CONCLUSION

Marks and Spencer's continuing journey to embed corporate responsibility and sustainability remains a work-in-progress. They have demonstrated however, a business case for "the way we do business" based on trust-based relationships with employees, building an inclusive culture, stimulating innovation, and creating long-term shared destiny relationships with suppliers and customers. In 2007, M&S committed £200m over the five years of Plan A to aid implementation. After 2.5 years, M&S were able to report that rather than costing money, the innovation and new ways of doing things stimulated by Plan A was leading to savings of £50m p.a. – which is being recycled into further implementation of Plan A.

The 2010 Accenture / UNGC survey of CEOs identifies six key attributes for embedding corporate responsibility and sustainability. These are:

- These issues should be fully embedded into the strategy and operations of a company

- Boards should discuss and act on these issues

- These issues should be fully embedded into the strategy and operations of subsidiaries

- Companies should embed these issues through their global supply chain

- Companies should engage in industry collaborations and multi-stakeholder partnerships to address development goals

- Companies should incorporate these issues into discussions with financial analysts.^{vii}

The M&S case demonstrates all six of these core behaviours in practice. Marks and Spencer also well illustrates the wider practices of companies embedding CR and sustainability as identified in this book.

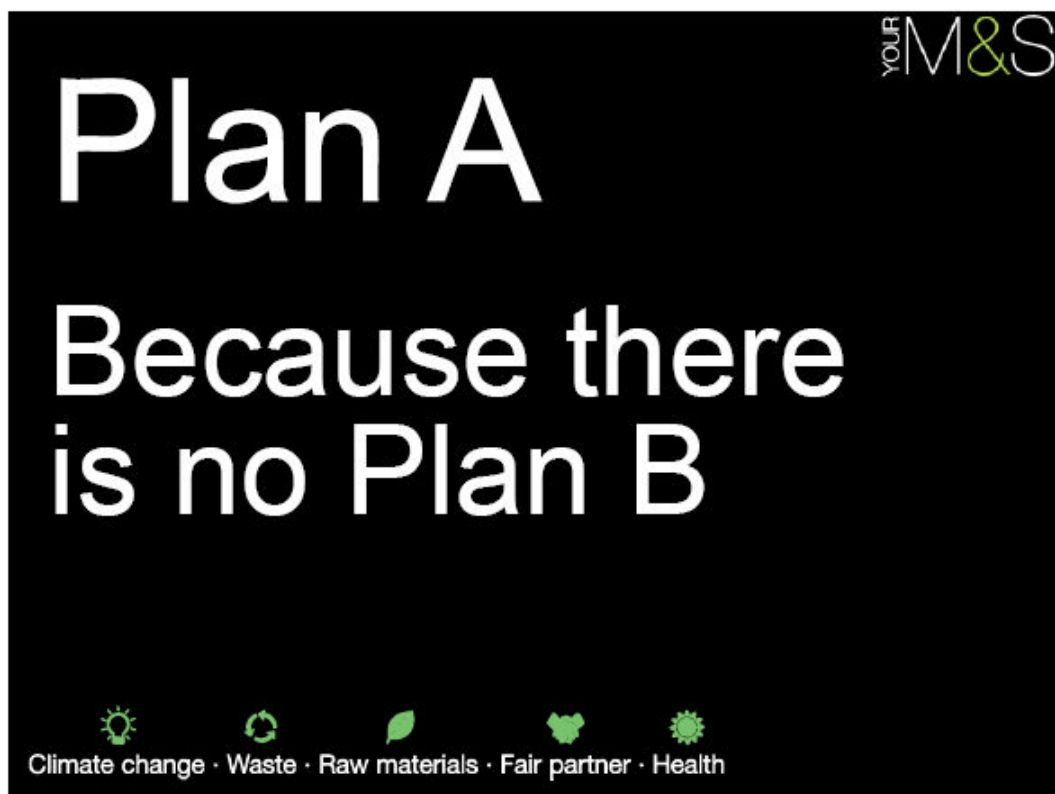
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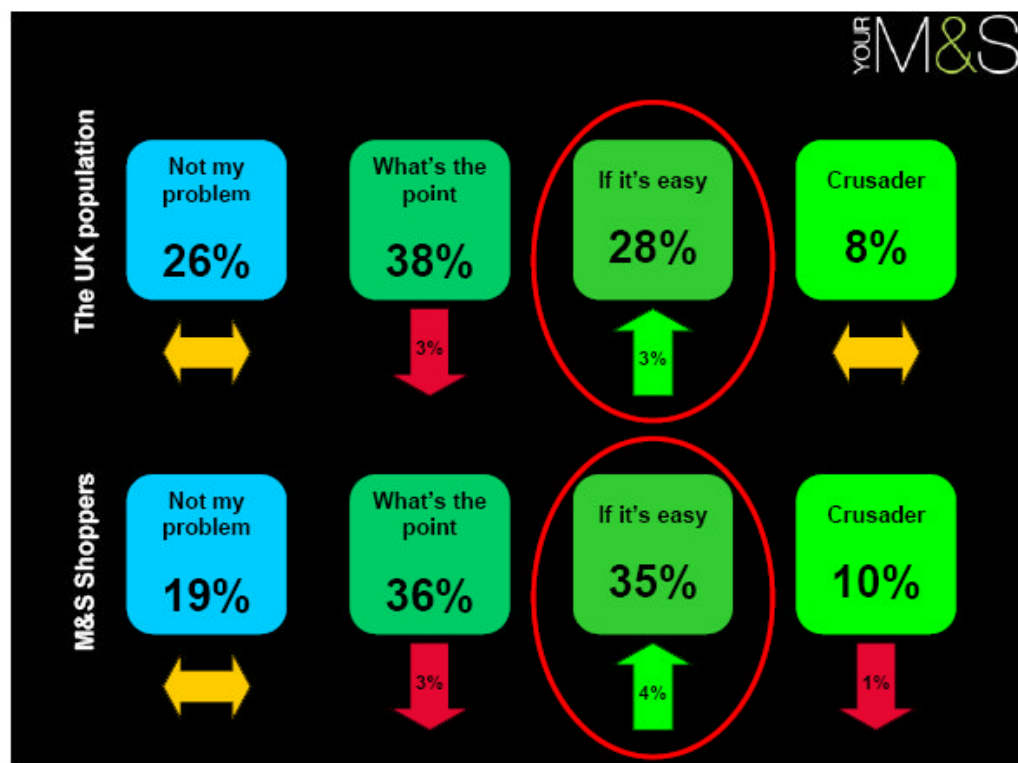
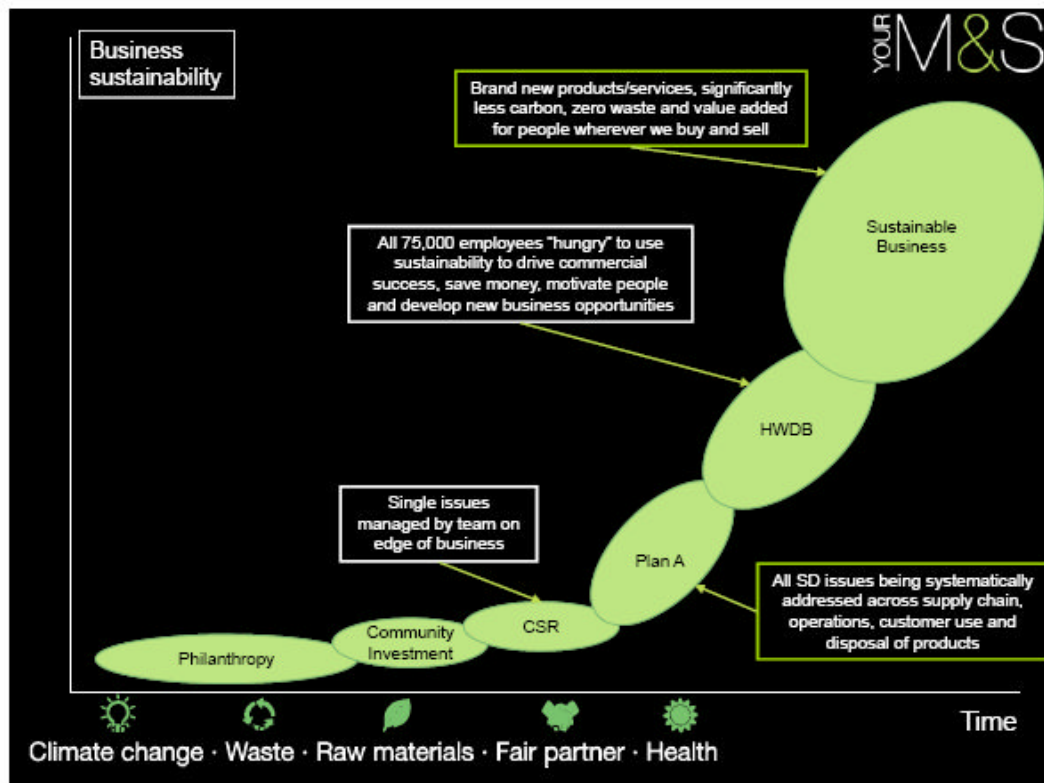
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Proposed photo illustrations

- Marks and Spencer customer segmentation
- Eastbourne store Plan A champion Rachel Barton

David Grayson is director of the Doughty Centre for Corporate Responsibility at Cranfield School of Management. He has tracked Marks & Spencer's journey towards more sustainable business for more than quarter of a century.





ⁱ Future sustainable growth - Capitalism that works, David Grayson, Ethical Corporation Sept 2010

ⁱⁱ The rise and fall of Marks and Spencer – and how it Rose again

ⁱⁱⁱ Presentation by Mike Barry and Robert Nuttall to Cranfield Corporate Responsibility Network Jan 2010

^{iv} see for example his 2008 Cranfield Management School Lecture at the Royal Opera House, London: Oct 2008; and extended profile in the Financial Times weekend magazine 2010

^v Built to Last, Collins and Porras 1994

^{vi} presentation by Mike Barry, CSR manager Marks and Spencer to ICEDR May 27th 2010 noted by author

^{vii} A New Era of Sustainability UN Global Compact-Accenture CEO Study 2010

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