A high street retail giant has put its eco and ethics plan at the heart of its business with a surprising impact on the bottom line

THE BUSINESS
Marks & Spencer is one of the UK’s leading retailers. It is a bellwether for the UK retail market and is a household name famed for clothing, high quality food, and home products. Clothing and homeware amount to 46% of the business, food 54%. The group employs 81,000 people with over 760 UK stores and a presence in 51 international markets.

THE IDEA
The idea dates back to 2006 when a government report, the Stern Review on the Economics of Climate Change, was published. This report shocked public opinion with warnings about climate change and the economic and business consequences. Like many at the time, the then Chief Executive of Marks & Spencer, Sir Stuart Rose, was galvanised by the blunt nature of the report and what it meant for business. ‘It was’ says Adam Elman, ‘a wake-up moment for Stuart’. Elman is now responsible for what is known as Plan A delivery.

Plan A was launched in 2007, the year after the report, and was called Plan A because Marks & Spencer took the view that there was no Plan B for the one planet we have. Initially the plan was simply to collate the many sustainability initiatives that the company already ran, but rarely publicised. ‘We were doing a lot of things’, says Elman, ‘but we weren’t telling anyone about it. So we started telling customers’. The reaction was very positive. ‘Stuart thought we should do more and not just the obvious things like saving energy. A small group developed Plan A’, he says, ‘and made sure it applied right across the value chain’.

THE INNOVATION
The idea was that, through the plan, the company would work with customers and suppliers to combat climate change, reduce waste, use sustainable raw materials, trade ethically, and help customers to lead healthier lifestyles. It would not only make the business more sustainable, but it would also generate net benefits for the company. In the first five years, over £185m net benefit was generated, which has been re-invested in the company.

Like many highly successful companies aiming to change the business and their stakeholders through sustainability, Marks & Spencer had great intent at the outset without knowing precisely what they would do. ‘We started out by being extremely bold in terms of ambition’, says Elman. ‘We didn’t know how to do it, but we set our ambitions high’. And the initial feedback was encouraging. ‘We got a lot of positive feedback for being bold’, he says.

It was obvious this had to be different and the whole company needed to be involved. ‘It had to be transformational change right across the business. It could not just be traditional corporate social responsibility, it had to involve everyone; logistics, human resources, public relations, and so on. And the recognition of that early on has been one of the key reasons for the progress.’

FINANCE FUNCTION LEADERSHIP
When the plan was first launched, it was intended that the company would invest £200m over five years. This, it was reckoned, would enable them to reach their goals without creating extra costs for customers. ‘Initially the question was: How do we manage the big increase in budget?’ says Paul

Within two years, the plan was generating a net benefit that has been steadily increasing so that in 2012 it was £105m.
Friston, Director of Group Financial Control. ‘Then we realised that there would be really tangible financial benefits. It became a question of really understanding the implications. By putting in energy-efficient investment, for example’, he says, ‘costs would come down’.

The finance team set about working out how this could be achieved, balancing costs and benefits, and discovering opportunities that simply hadn’t been identified before.

‘We built the business case’, says Friston, ‘and the savings came through reporting that. It allowed other departments to see the financial benefits’. Within two years, the plan was generating a net benefit that has been steadily increasing so that in 2012 it was £105m.

‘We worked hard to embed it into the business’, says Elman, ‘and our colleagues in the finance team started to analyse the effects in a way that we hadn’t seen before’. Once the process had started, it simply accelerated as, to put it in layman’s terms, ‘word got about’. ‘It started to break down silos’, says Elman. ‘We worked hard to embed it into the business’, says Elman, ‘and the savings came through reporting that. It allowed other departments to see the financial benefits’. Within two years, the plan was generating a net benefit that has been steadily increasing so that in 2012 it was £105m.

‘We identified savings in areas where we hadn’t expected to do so. Some of the initiatives that we invested in actually created unexpected savings in other parts of the business and the finance function enabled this.’ And it did this in areas that continued to be unexpected. ‘Even in the obvious areas, like energy, understanding the finance side brought change’, says Elman. ‘It was about getting under the skin of the numbers and enabling us to look at them in a different way’.

The company became the world’s first carbon neutral retailer. It reduced energy consumption by 28%. It reduced food waste by 40%, cut packaging by 26%, reduced food carrier bag use by 78% and reduced water usage in stores, offices and warehouses by 18%.

One aim was zero operational and construction waste to landfill from all stores, offices and warehouses. ‘It was a five year target and very complex’, says Elman. ‘Finance came to have a look at it and they really opened our eyes. We didn’t just achieve the goals, but it saved us money as well. Last year, we saved £4.6m’.

There were similar stories from areas like food waste. ‘We used to put blue dye on out-of-date food so people wouldn’t use it’, says Elman. ‘There was a huge amount of time involved whereas recycling it was quicker, cheaper and safer’.

The coat hanger recycling programme

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POSITIVE LONG-TERM IMPACT

The process has transformed attitudes. ‘It is not just about cutting costs’, says Friston. ‘We are now looking at how it can come into the core business and drive revenue’. And that creates a different environment, particularly in attitudes towards recruitment. ‘We found it attracts and retains the right people, particularly in the finance function’, he says. And it attracts a new generation coming through. ‘Plan A is one of the real reasons they want to join from university. And they bring a fresh eye to our business.’ It also helps with retention. ‘In job satisfaction surveys, Plan A comes through very strongly’, he says.

Bringing the finance function both into and firmly backing sustainability as an ethos was a key tipping point.

The long-term effects are positive. ‘The financial and business case is now embedded in everything finance does’, says Elman. ‘They are constantly looking at it. It has been built into the day-job. And, across the company, it has become embedded in the decision-making process. Long-term investments have Plan A embedded in the process, for example’.

In a company that is rolling out more stores at a time when planning permission is harder to gain, the plan helps. ‘We would never have been able to deliver the biggest store we have ever built from scratch, Cheshire Oaks, without our sustainability credentials’, says Elman. The store enabled everything from rainwater harvesting with an 80,000 litre rainwater tank to 70% of the store’s heating coming from a biomass boiler plant and heat reclamation.

LESSONS FROM THE CASE STUDY

‘It was very important to ensure that our financial colleagues were absolutely engaged in this’, says Adam Elman. Bringing the finance function both into and firmly backing sustainability as an ethos was a key tipping point. ‘It happens organically now, just part of the day-to-day job. It is just the way we run our business.’

It is also about a different way of looking at the business. ‘You need to look through a green lens’, says Elman. ‘It has to be much wider than the numbers. You start analysing opportunities in a very different way. And that leads to innovation. It means better products. The financial analysis leads to investment in innovation and that gives the customers more’.

The benefits spread across the whole business. ‘For example’, says Adam Elman, ‘we cut our paper usage by over 25%. That was not just best practice, it was also an IT solution. There was a business case and it saved us £2.6m last year, a lot of money. But it only came about after analysing costs and impacts’.

There are also fundamental changes in business practices as a result. ‘There are quite practical reasons’, says Elman, ‘like business partnering. A financial representative sits alongside every representative in other areas of the business.’

And there is a complete change in the way you see the world. ‘You are always learning’, says Elman. ‘It is the right thing to do from a business point of view’.

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