



NatWest

ACCOUNTING FOR SUSTAINABILITY

ICAEW

2012 WINNER CASE STUDY

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

MOVING UP-MARKET BUILDS STABILITY FOR SECURITY FIRM

How a security company transformed its business model and brought sustainable benefits to shareholders, employees and clients alike.

THE BUSINESS

Wilson James's key service delivery is the provision of managed security services, principally to large blue chip clients such as the BBC, BP, PwC, the FSA and BAA. It also has a further distinct service providing logistic services to the aviation and construction industry. It has a unique business model in the security industry, differentiating itself from its competitors on the basis of quality of service and staff welfare in a sector well used to receiving bad publicity on these matters. Over time, its model has evolved, with particularly strong investment in the 3,000+ workforce. This is shown through its commitment to limiting working hours, with a 42-hour week roster pattern, compared to more than 60 hours in competitor organisations. The company also invests heavily in training and career development. It would have been unable to deliver the service it does if it had not developed a sustainable financial model that has strong support from the finance function.

THE IDEA

Wilson James recognised that the benchmark of employment standards in the security industry is very low and is characterised by poor training, long hours and poor pay. As a result, employees in the industry tend to be treated as a commodity and, as they are treated badly, the standard of services provided is poor. Wilson James decided to set themselves apart and, by differentiating themselves in

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the industry, set new and better standards and created a sustainable business model. 'The basis of our change was the manner in which we employ our staff', said Mark Abraham, Finance Director.

THE INNOVATION

The decision was made to pay higher wage rates than usual in the industry and reduce the hours that employees worked. Staff hours moved down to 42 hours a week, with the possibility of overtime raising it to a maximum of 48. Staff earnings are equivalent to the same levels of pay as elsewhere in the industry where 60 hours a week is the norm. The result is that Wilson James attracts the best people in the industry and can retain them. They now have a low level of staff turnover and, through other benefits, like training, the staff are valued, not just by Wilson James, but by customers. 'This creates loyalty not usually seen in the industry', said Mark Abraham. And it also allows innovation to be fostered in how the job is done, enabling the company to draw on the creativity of staff to bring other benefits to their clients.

FINANCE FUNCTION LEADERSHIP

The initiative to raise standards and provide differentiation had to be backed by a full understanding of the financial consequences. The firm, by lowering staff hours substantially, became more expensive in terms of cost per hour. But by explaining the thinking and motivation behind this strategy, the firm managed to attract blue-chip clients who are themselves keen to set a high standard. They have high human resources thresholds for their own staff and seek the same from their suppliers. The finance function, as well as implementing the strategy, had to be agile in their negotiations with clients to ensure that the intangible benefits of their strategy were fully



understood. And also in explaining how innovations, which would also bring benefits, could be implemented. The higher costs and higher standards from the Wilson James offering aligned them with the same type of business model that blue-chip clients wanted, and expected, to see.

POSITIVE LONG-TERM IMPACT

The adoption of a sustainable model has had a transformative effect on the quality and motivation of staff. The firm now has 3,500 employees and a turnover of £100m a year. There has been a huge difference in staff turnover since the business model was changed. Staff turnover is minimal



compared with the rest of the industry. This also creates an image differentiator. Often the company finds itself tendering for work where clients have been frustrated by the quality standards from other suppliers. The intention has been to create 'clear blue water' between themselves and their competitors. This has enabled the company to establish a long-term pattern of growth of between 12 and 15% per year, even in the recent difficult business conditions. Sustainability is embedded in the company's decision-making and long-term planning process and is championed from the top.

While the impact of the change on the business itself has been crucial, there has also been a social impact of 3,500

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people having a better quality of life. The intention is that what happens in the business should be spread wider. 'The social impact goes beyond our own workplace', said Mark Abraham. Clients benefit from having better service. The shareholders benefit from having more sustainable profitability. There is a cumulative benefit of loyalty from clients as a result of the loyalty of staff. Many contracts have been running for over 15 years, unusual in the security industry. Clients like having the same staff long-term. It is seen as creating a strong security message. For example this means that the security staff on duty can recognise the clients' employees and can automatically filter out others.

There is also a programme of initiatives to do with staff retention and staff welfare. Each member of staff, for example, has a meeting with their line manager once a month. This is not for appraisal purposes but allows the member of staff to raise issues, major and minor, to do with

their current experience, which can then be rectified. There is also a system of forums where people can come up with ideas and be rewarded for them.

There are also other ways in which benefits can be created for clients. One of these, for example, was initiated at one of the forums. Security staff, particularly those who are working nights, now have a personal digital assistant (PDA) device with them at all times and, as they do their rounds and switch off a redundant light, for example, they record it on their PDA. This means that they can then report back to the client what savings they are delivering in terms of energy costs and

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carbon reduction. The savings across a contract can amount to £30,000 a year in one building. And, this being a creative thing to do on what could be a dull and routine night-shift, it benefits the staff as well as reinforcing the differentiation in service provided.

LESSONS FROM THE CASE STUDY

The company feels that the main lesson learned from the change to its business model is that it is important to 'stick to your guns' by ensuring that, having changed your model, you stick to the moral standpoint involved. Lowering standards or eroding the quality of service and accepting compromises would, they feel, mean that they had lost their way.



The business model teaches the company the importance of networking with potential clients. It is not a business model that can easily be sold 'cold' in this particular industry. There is a need to really understand and tailor delivery of services around the business model. They need to stay close to clients and evolve the service.

They learned that if you are doing something different then you have got to be doing it well.

Being a premium brand in the business and tying your reputation to that concept means that you have to live it on the ground. Clients are paying a premium rate for the service so they have to see a difference and see it happening from the first day forward. They have to see the difference they are paying for straightaway.

Mark Abraham's message is: 'Don't get complacent'. The company feels that they have to keep innovating through all areas of their service rather than succumbing to the temptation of feeling comfortable about the customer service being provided. 'The client needs to see continuous innovation', said Abraham. 'And that message has to be reinforced all the time'.