

Marks and spencer corporate social responsibility



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“ A concept whereby companies integrate social and environmental concern in their business operation and their interaction with their stake holder on a voluntary basis.”

European Commission

Introduction

Corporate Social Responsibilities is where the companies exploit the market to survive in the long term success, the practice and policies it is operating not only

Corporate Social responsibility in Food and Clothing Sector

Food and clothing retailers sector is chosen due to the excessive capacity to expand in enterprise. Big Retailers not only have their main focus on people but in companies as well giving emphasis at all levels of supply chain. Their worldwide activity make them different and as a result we see that different countries have their own way to operate and as a result the laws and working condition also differ from place to place and according to the activity they carry out. Media, government and the lobby groups are enforcing policies and are forcing the companies to keep a benchmark and are obligated to do something where they can meet with the standards of an established society. In doing so it is very essential to keep a balance between some activities that are unstable in nature.

Marks and Spencer's

Brief Introduction on Marks and Spencer's

Marks and Spencer's (M&S) a brand that is common to every person in the UK, it being the largest retail industry in terms of clothing which generates

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its revenue from middle class and upper middle class people. It is 43rd largest retailer in the world consisting of 900 stores with 600 of them located in the domestic UK market (M&S, 2010. b).

M&S expedition regarding bringing about awareness in CSR activities only began in 2003, M&S has laid the focus that the business sense is 'doing the right thing' and hence M&S have always shown a mark improvement in the standards, values and prices of their products but above all their prime focus was increase the number of customers and the turnover. (M&S, 2003)

Brief introduction on Marks and Spencer and Corporate Social Responsibility

CSR activities are about a blend with the business and not something which can be done independently. CSR reports send a very clear message to its shareholders is send across which is that they intend to look at the long term sustainability of the business. As an example, M&S tell customers about how they went profitable in just two years from in their plan to invest £200 m over 5 years starting from 2007 (M&S, 2009. a).

All the CSR activities done by M&S are classified by M&S under Plan A. The reports include the effect, targets, and achievements on climate change, waste produced and managed, sustainability of raw materials, Fair partnerships including fair-trade, and health. M&S has effectively struck a right balance between these by sourcing products like cotton, sugar and coffee from developing countries under fair-trade and sourcing most dairy and meat products from the local producers. The report also identifies the key management which is involved in the management of CSR activities

include how the commitments are ranked in Plan A and the report, feedback from the key stakeholders and future vision.

Academic Models of Corporate Social Responsibility and its application in Marks and Spencer

Carroll's four part model for CSR

One of the most famous models related to corporate social responsibility is the model which Carroll introduced. The Carroll model is a multi – layered concept (Hennigfeld, Pohl and Tolhurst, 2006).

The four layers included in Carroll model are: (1) Philanthropic responsibility, (2) Ethical responsibility, (3) Legal responsibility and (4) Economic responsibility.

Philanthropic responsibilities, according to Carroll (1991), are merely desired of the corporations without being expected or required, making them ' less important than the other three categories' (Hennigfeld, Pohl and Tolhurst, 2006).

An ethical responsibility, according to Carroll (1991), consists of what is generally expected by the society which is over and above economic and legal expectations (Hennigfeld, Pohl and Tolhurst, 2006).

Satisfying theeconomic responsibilities and legal responsibilities, according to Carroll (1991), is a requirement that each and every corporation has to fulfill (Hennigfeld, Pohl and Tolhurst, 2006).

Carroll's four part model implementation in Marks and Spencer's

Carroll's model consists of four levels: economic, legal, ethical and philanthropic.

M&S highly focus on the philanthropic and ethical responsibilities keeping in mind that all the activities it performs are legally done without any allegation on the brand that it carries. M&S have taken a step forward in saving the society by providing energy – efficient appliances, they have dual benefit with this kind of an activity, as they are performing philanthropic responsibilities and are also increasing the sales.

Economic responsibility essentially includes shareholders and employees as shareholders are interested in the return on investment and employees will get good job security, paid well only if the company is doing well. Legal responsibilities are mainly for the government and other regulating bodies which look after the legal issues that are undertaken and as a result M&S carries out all its activities legally.

Ethical activities are essentially administered at environment and welfare groups. M&S makes an effort to help the suppliers cut cost, increase efficiency, and do things ethically. Community welfare including proper utilization of food products which are donated to the people in need, cash donations, and programs for donation of clothes are also practiced by the company.

In Carroll's (1979) model of four philosophies of social responsiveness, M&S falls in the Proactive category which signifies that it is enthusiastic about the

actions that it performs and as a result M&S gets by undertaking the CSR activities toward the welfare of the people and the society. This is demonstrated by their commitment to become Carbon neutral and eliminating all landfill waste by 2012. No other retailer has gone to that extent.

Shareholder Theory for CSR

The father of stakeholder theory, R. Edward Freeman, puts it plainly and simply: ' A stakeholder is any group or individual who can affect, or is affected by, the achievement of a corporation's purpose' (Freeman, 1984).

Shareholder Theory and Marks and Spencer's

The Stakeholder Theory approach was implemented to a great extent by Marks and Spencer in Corporate Social Responsibility but the biggest question that was laid was the long term strategy: whether its audience is too old, and also the positioning of its food business. (Reference) But through Carroll's four part model for Marks and Spencer's we can clearly reason out that the retailer has made sure they hold on to the Stakeholder Theory Approach in their Corporate Social responsibility.

Marks and Spencer's as a brand is owned by a large number of investors comprising not only of organizations but individuals as well who purchase their shares. Since profit is the main motive and aim of the firm also considering that the shareholders profitability rate remains consistent not ignoring the fact that the standard of governance and ethics of the business are transparent and accurate and the performance of the business is always elevated. Risk factor in business is always there to achieve business goals

therefore the fundamentals like analyzing, assessing and administer play a pivotal role to achieve these goals.

Stages of Maturity of Corporate Social responsibility

Stage of Development

Dominant feature

Typical activity

Examples

1

Windows dressing

Redesigning corporate reporting

Change wording and sections to reflect CSR language

2

Cost containment

Re-engineering business processes

Energy efficiency programmes

3

Stakeholder engagement

Balanced scorecard development

Customer/employee satisfaction surveys

4

Measurement and reporting

Sophisticated tailored measures

CSR reports

5

Sustainability

Defining sustainability: re-engineering processes

Sustainability reporting

6

Transparency

Concern for the supply chain: requiring CSR from supplies

Human rights enforcement: for example, child labour

7

Accountability

Reconfiguration of the value chain

Relocating high value added activity in developing countries

(Source:)

Stages of Maturity implementation in Marks and Spencer's

- Window Dressing:

Branding their CSR activities as Plan A and changing their reports to meet GRI G3 standards was just a part of it. Not only limiting the dressing to reports but styling changing the look of the stores to reflect the general consumers. It has been seen that there is an improvement in the format of design, in the way to communicate the reports.

- Cost Containment

Making of eco-friendly stores which consume less energy is also a cost cutting measure. Another way to reduce cost is by outsourcing the product and as a result the result is the people employed for the production process. Optimum utilisation of transportation is used so that goods are distributed in a proper way keeping in mind the cost.

- Stakeholder engagement

M&S performs various activities in relation to its shareholders engagement they keep in mind that various stakeholders have various activities and as a result the problems of every stakeholder is dealt with differently and as a result this provides the company with a strong backbone from the stakeholders. M&S makes sure that the helplines and other facilities are always given so that work grievances or personal problems may be resolved.

- Measurement and reporting

M&S continuously performs functions and also keeps a record of it by continuously updating it in the CSR report that it undertakes. They have

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assigned an external auditor which is again outsourced by the firm called Ernst & Young, which relates to the performance level and monitor the progress to achieve new targets and goals. But the change in the way was due to use of updated UK energy conversion factors and inclusion of emissions due to refrigeration and business travel. (M&S, 2008)

- Sustainability

M&S have proved that they can sustain in any form of market given to them as they take up various polies regarding CSR issues like reduction of waste and energy consumption. Sustainable outsourcings of products are there in their CSR reports which measure the sustainable sourcing of palm oil, wood, water, and other natural resources. M&S have committed to be the carbon neutrals by 2012.

- Transparency and accountability

M&S firmly believes that it is very much important to follow the part of transparency and to be clear with its suppliers, shareholders, customers in terms of activities that it undertakes. It has also laid its hand on the mere fact that it would be accountable and look into matters like child labour, proper working condition, working hours and wages to its workers. But lobby groups have been accusing that the working conditions in some parts are not at all ethical, however addressing the fair living wages has been a part of Plan A commitment in the annual report of M&S (M&S, 2010. a)

Matching Marks and Spencer's Claims with the action performed

Evidence are never found when acquisition have to be laid down and that too for such massive retailers like M&S but sometimes there are evidences that pop up and some of the issues are very carefully dealt with regarding taking decision on behalf of the organization. Evidences show that there were some allegation that came across M&S in the CSR report that was issued in 2008 which had a claim that 70% of their packaging was recycled and was used by the company but this was challenged by the Local Government Association who had sufficient evidences saying that 62% of it was carried out (Sky News, 2008). Well there was a story to it whereby it was said that M&S was linked up with a company called Oxfam to recycle clothes, but the catch was to increase its sales by increasing the amount of free vouchers that could have collected of 5 pound to 35 pounds (Sky News, 2008). M&S were targeting at increasing their sales and maximize profits for the company.

Well there was another matter that was reported by the Sunday times which said that M&S board was incorrect according to the governance point of view as one person was playing a part of a Chairman as well as a CEO which is against the practice of Corporate Governance (Marks and Spence annual report, 2009). The Sunday Times (2010) went on to report that Sir Stuart Ross, the so called person who was the Chairman and CEO had taken such an action in times of recession and had denied taking a pay cut where as many of his other counterparts from other companies have been doing so. The factory workers in Sri Lanka who are a portion of Marks and Spencer

supply chain are paid only 25p an hour and that women work for six days just to earn 50 pounds a week (The Sunday Times, 2010).

Comparison with Competitors

Tesco

Like M&S Tesco which is already doing it at a big scale indicates the strong positive image of M&S in the market. Tesco have recently opened up a store in Manchester whereby which is more effective in terms of providing satisfaction to customers which is 70 times more beneficial for the customers in relation to their previous stores that they had, they have also halved the energy use per square feet (Tesco, 2009).

Tesco have been performing their CSR activities at a constant level and as a result of which since 2006 they have made a shortfall of the energy use by the time they were in 2010. Tesco has also been seen that they take care of the environment as they provide offers in terms of club card points where the customer would benefit every time they use reusable bags and proper steps were taken to ensure this and according to the survey it has been seen that they have found results in protecting the environment at large as half of what it used to be in 2006 (Tesco, 2009). They also claim that the bags that are used in Tesco are recyclable. Along with they have also labelled 100 products with an eco label tag which is a strong step toward CSR activity considering the mere fact that they are the largest in the world among retailers and have thousands of products.

Tesco was also the highest scoring retailer in 2008 Global carbon surpassing other retailers including ASDA and M&S (Tesco, 2009). They have a scheme <https://assignbuster.com/marks-and-spencer-corporate-social-responsibility/>

similar to that of M&S in which they train people for getting employed. The major difference between M&S and Tesco is that Tesco guarantees a job with them after the training workshop. Various initiatives like better packaging, efficient transportation, better utilization and efficient use of the existing resources are aimed at reducing the carbon footprint due to distribution.

J Sainsbury

Sainsbury's, the third largest UK grocer (BBC, 2007), has used various standards of reporting for their 2009 CSR report. They have reduced the use of single bags by 58% since 2007. They also account for one-third of the sales of the fair-trade products sold in UK and are therefore biggest fair-traders in UK. J Sainsbury have also taken measures such as reusing the waste, generating fuel and electricity. This also includes recycling 82% of the waste at construction sites aimed at increasing to 90% (J Sainsbury, 2009).

J Sainsbury and they claim to have been doing lot of good work in their reports, on the negative side of it, there is relatively less information in terms of statistics provided by them in term of its success of those programs. Even facts like reduction in energy consumption per square foot by 28% are without any reference of the base year. It fails to give an organizational structure of people which manage their CSR activities, something which has been actively reported by all Tesco and M&S at end of their CSR reports. Due to the large amount of capital employed by Sainsbury's their CSR reports can be much better than its competitors. Sainsbury is actively working on its CSR activities and its reporting. Sainsbury's is going to start reporting quarterly on CR along with their financial results.

From the above analysis we see that M&S and Tesco are the two companies which have superior reports than J Sainsbury. J Sainsbury not only contribute biggest share of their earnings and due to their large size are one of the top contributors to CSR activities.

Conclusion

M&S is very much committed about Plan A for not only social reasons but economic reasons as well. They not only aim at making the processes and product better but are making an effort to make Plan A in to core of everything they do to run their business. Partners of M&S not only give them the expertise to carry out CSR activities but also give their operations a transparency due to inclusion of various organizations. M&S also realize the importance of including customers in the process which has dual effect of making their energy use more efficient and also marketing M&S as a sustainable retailer which generates a positive reputation and builds the brand.

M&S had net positive return due to the cost savings achieved due to efficient operations in 2 years time. They also claim to have increased sales and profit due to increased reputation. Therefore we can conclude that CSR practices should be followed as doing the right thing is the 'right thing to do'.