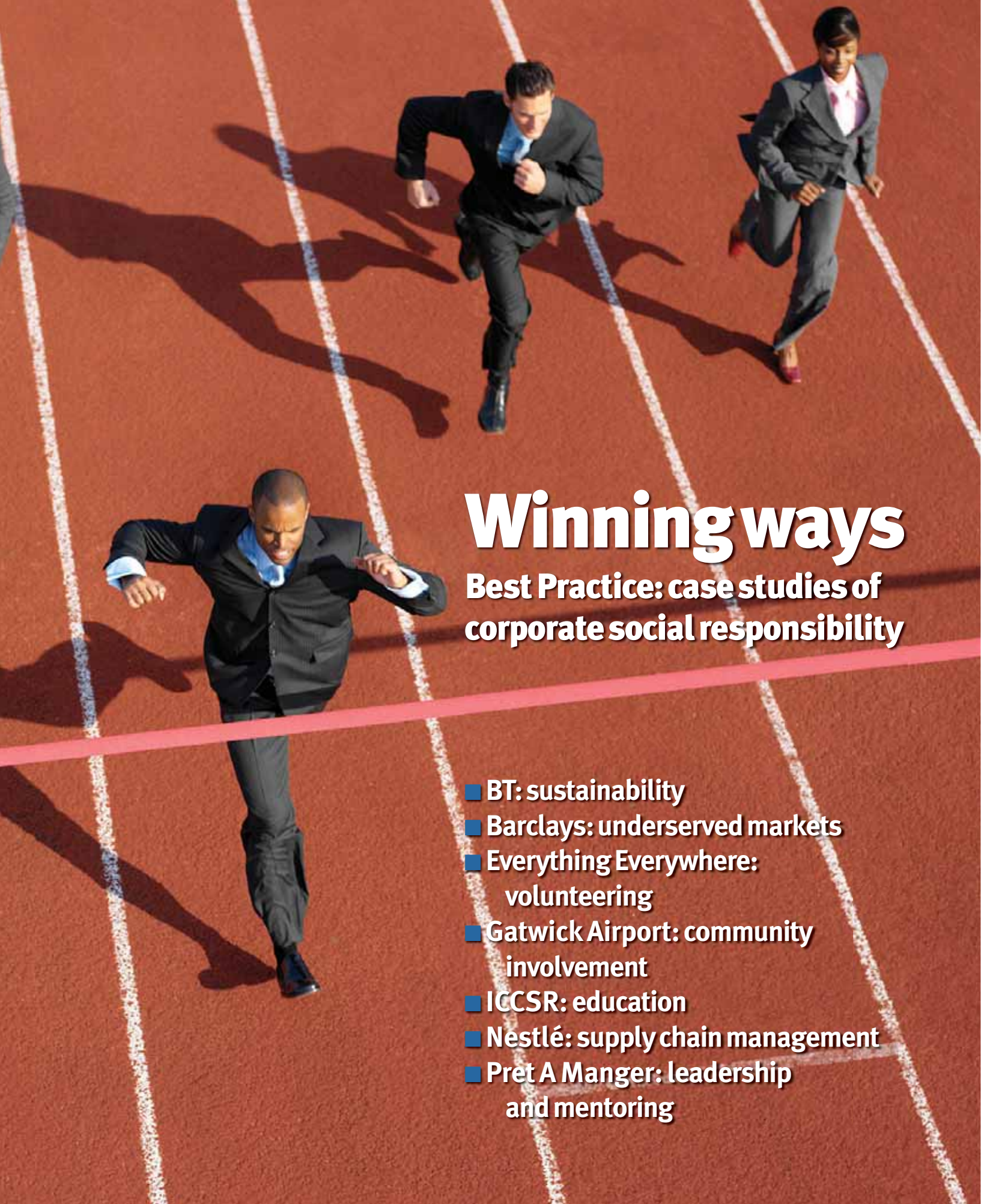


# *ethical* performance

issue 16 | 2011

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## **Winning ways**

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- **BT: sustainability**
- **Barclays: underserved markets**
- **Everything Everywhere: volunteering**
- **Gatwick Airport: community involvement**
- **ICCSR: education**
- **Nestlé: supply chain management**
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Emmanuel Lulin, Group Director of Ethics— L'ORÉAL



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**Ethical Performance Best Practice** presents examples of best practice in corporate social responsibility. It is produced by Dunstans Publishing in association with the Institute of Business Ethics, a registered charity that exists to promote high standards of corporate behaviour (see below).

The companies selected for inclusion have contributed towards the cost of printing and producing **Ethical Performance Best Practice**, and Dunstans Publishing wishes to thank them for this assistance. The case studies are written by the editorial team at Ethical Performance, which retains editorial control over content. In this issue, we showcase initiatives by BT, Barclays, Everything Everywhere, Gatwick Airport, the International Centre for Corporate Social Responsibility, Nestlé and Pret A Manger.

We have approached companies that we consider have a good story to tell, in the belief that one of the most effective ways of spreading best practice is by example.

■ **Ethical Performance Best Practice** welcomes comments and feedback from readers. Our contact details are listed in the box (right). The companies concerned would also like to hear your comments. Contact details for each company can be found at the end of each case study.

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The Best Practice case studies are also available at [ethicalperformance.com](http://ethicalperformance.com)

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**The Institute of Business Ethics** was established by business in 1986 to encourage high standards of business behaviour based on ethical values. It aims

to lead dissemination of knowledge and good practice in business ethics. It is a registered charity. The IBE raises public awareness of the importance of doing business ethically. It helps organisations to strengthen their ethics culture and encourage high standards of business behaviour based on ethical values. It also assists in the development, implementation and embedding of ethics and corporate responsibility policies and programmes. Additionally, the IBE helps organisations to provide guidance to staff and build relationships of trust with their principal stakeholders.

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## BT: sustainability

# A sustainable Olympic legacy for London

*Telecoms multinational BT was tasked with building on its record of responsible sourcing to help deliver the most energy-efficient, environmentally-sensitive infrastructure projects the Games have ever seen*

**P**romoting itself as the world's first sustainable Olympics, the London Games organisers have had to think hard about their corporate partners, especially since 2012 will inevitably include some of the Games' most demanding infrastructure projects yet.

As one of a handful of firms chosen to be members of the Organising Committee's sustainability 'club', BT has been at the centre of planning and managing communications from the scheme's outset. The company's overall aim is to increase connectivity without adding to the environmental footprint of what is already a huge infrastructure undertaking.

BT is applying its experience of integrating sustainability into its own large-scale operations to the Games, covering anything from improving energy efficiency, managing carbon emissions and running local social inclusion programmes.

**Employing a converged network dramatically reduces energy consumption and waste, and maximises potential re-use after the Games**

The telecoms multinational is also building on its record of responsible sourcing and waste management at the Games, to build a sustainable legacy for London that lives well beyond the closing ceremony. In terms of core communications, BT has designed a single network that will, for the first time in a summer Games, combine fixed and mobile telephony, Games applications, community area television and wireless internet access across the Olympic sites.

The infrastructure, which will also be managed and operated by the company, will support 80,000 connections across an estimated 94 competition and non-competition venues. BT's business director for London 2012 Tim Boden explains: "Employing a converged network dramatically reduces energy consumption and waste, and maximises potential for re-use after the Games. The design reduces the diversity of equipment needed. For example, the BT Hosted Voice platform eliminates the need for separate telephony gateways and switchboards at each venue."

To cut down on waste, the company will use an artificial intelligence tool to ensure the optimum use of kit and cabling, which it expects to reduce equipment requirements by 5%. Colin Norfolk, from the firm's "venue design team", says: "This technology produces designs with much greater accuracy than the estimating techniques used previously. It is easily reconfigurable to explore what-if scenarios and proposed changes, ensuring the most efficient use of resources and minimising our impact on the environment."

Digging will also be kept to a minimum by BT's blown-fibre technology, a method of installing cables with compressed air.

Importantly for London post-2012, all BT services installed for the Games will become part of the national BT infrastructure, providing what the company calls "a valuable economic legacy for the benefit of local businesses and communities" in east London and beyond.

At the Olympic Park, for example, the 19,000 copper pairs and 3,000 fibres installed will service the 6,000 homes and other commercial developments due to be built on the site after the Games. BT has also developed London 2012's unique and much-vaunted carbon measuring, and claims that many other organisations have increasingly been asking it to help support their efforts in carbon

## The company

BT is one of the world's leading communications services companies, serving the needs of customers in the UK and in more than 170 countries worldwide. In 2011, it reported profits of £1.72bn (\$2.69bn) on revenues of £20.08bn.

Its main activities include the provision of fixed-line, broadband, mobile and TV products, as well as networked IT services. In the UK, it is a leading communications provider, but also sells wholesale products and services to providers in Britain and around the world. Its CSR targets include:

- Building stronger communities, improving digital inclusion and behaving responsibly and ethically.
- Reducing carbon emissions and its impact on the environment: BT has set itself a target of achieving an 80% reduction in its worldwide emissions intensity by 2020, compared with 1997.
- Quantifying the most significant social, environmental and ethical risks to BT in its corporate responsibility risk register, updated twice a year and reviewed annually.



footprint assessment using the adapted methodology. The company says it is building on its existing efforts in the area, having cut its own carbon footprint by half a per cent since 1997.

To minimise emissions, BT is piloting the use of electric vehicles for its engineers, promoting video conferencing services for organisers in order to reduce travel, and ensuring its own operations are energy efficient.

And the company's Sourcing With Human Dignity initiative already mirrors stringent Olympic requirements on responsible sourcing for suppliers. These sourcing and sustainability standards – based on the UN Universal Declaration of Human Rights and International Labour Organization Conventions – are included as obligations in BT's contracts with suppliers.

BT is also registered with the Supplier Ethical Data Exchange, a membership organisation for businesses committed to continuous improvement in supply chain management.

BT is also taking an active role in Get Set, the official London 2012 education programme, and has created three core initiatives aimed at improving local young people's communication skills and their parents' and carers' key coaching abilities and principles.

These programmes are focused on promoting diversity and social inclusion through collaboration – using the appeal and excitement of the Games to

encourage better communication among children and teenagers. Though its efforts will help minimise its sector's impact on climate change and ensure a sustainable legacy for its work, the company said it is simply "doing what it does best – bringing people together using communications".

■ Further information: [karen.byrnand@bt.com](mailto:karen.byrnand@bt.com)

A computer-generated image of how the completed Olympic and Paralympic Village, located in the Olympic Park in east London, is expected to look

#### comment

**BT**

BT has been leveraging its core capabilities to support the planning and management of communications at the London 2012 Olympic Games.

Through the transfer of knowledge from the company's experience of integrating sustainability into large-scale operations, they are helping London 2012 to achieve its aim of being the first sustainable games.

BT is also using the opportunity to pilot new technological advances which aim to minimise carbon emissions such as the single network (combining fixed and mobile technology) and the use of electric vehicles for its engineers.

#### Points to note:

- BT's commitment to continuous supply chain improvement through the Supplier Ethical Data Exchange and Sourcing With Human Dignity initiative.
- The company's active role in 'Get Set', the official London 2012 education programme.
- BT's new infrastructure which will create a tangible 'economic legacy' to benefit the local community in the Lee Valley.

JUDITH IRWIN, INSTITUTE OF BUSINESS ETHICS

ibe

Barclays: underserved markets

# Credit where it's due

*Barclays partnered with two overseas development charities in a three-year project eschewing traditional microfinance initiatives to establish community-based lending facilities for disadvantaged people in Africa, South America and Asia*

**T**he economic growth of developing nations, and the associated improvement in the lives of their populations, is supported through financial inclusion in as much as it is held back by a lack of financial skills. Those who are financially excluded with no means of accessing, or understanding, secure savings and credit services can find it almost impossible to break the cycle of socio-economic seclusion.

“Many of us take it for granted that it’s easy to get a bank account,” explains Chen Wong, Programme Manager for Banking on Change at Barclays. “But that’s not the case in the developing world. Lots of people don’t have the ability to save or access credit. That puts them at an automatic disadvantage.”

However, through the Banking on Change project, Barclays hopes to support around 400,000 disadvantaged people in 11 countries in Africa, South America and Asia enter the economic mainstream. The bank has invested £10m in the three-year project, which was launched in 2009, and teamed up with the overseas development charities CARE International UK and Plan UK to implement its innovative microfinance and education model.

Microfinance is becoming an increasingly popular approach to tackling poverty in the developing world, but it is not without its critics, who have justifiable concerns over high interest rates and exploitative operators. Banking on Change aims to take a different tack, Wong insists. Two essential factors differentiate it from traditional microfinance approaches. First, it is savings-led. Second, it is community-managed.

Most microfinance strategies depend on an external finance provider lending credit to a small group of borrowers. Those borrowers then pay back the original loan, with interest. The approach that Barclays is promoting, by contrast, starts with the borrowers themselves. Operating through self-governing groups, they pool whatever resources they have into a central fund and issue savings and loan services to one another.

The interest on repayments is ploughed back into a central fund for future loans or shared out among members, rather than disappearing into the pockets of private providers. Because the loans are owned and managed by the community itself, the cost of lending is much lower. That keeps interest rates

A village savings and loans association meeting in Kenya



down. Levels of trust, transparency, flexibility and accessibility, meanwhile, are higher compared with programmes led by external credit providers.

Trust is one of the first challenges banks have to overcome when working with such communities, says Wong. "In the communities we work in banks are often seen as inaccessible," he says. However CARE and Plan can provide a bridge into these communities. "We are working in partnership with these NGOs as they have the relationships and expertise in these countries. We need them to help us reach out effectively," says Wong. CARE first came up with the idea for community-managed savings groups – known officially as Village Savings and Loans Associations – more than two decades ago.

From the outset, the project was not designed for the bank to tout its services to new customers, says Wong. "This is supporting people to develop the skills they need to make real sustainable changes in their communities." Nor, says Wong, is this just window-dressing for the bank. "We have invested £10m in this programme and it has been given great support by [chief executive] Bob Diamond and [chief executive, retail and business banking] Anthony Jenkins, both of whom have visited VSLA groups in the field.

"Our level of interest is far beyond that shown by traditional community investment programmes. We are deeply involved and constantly in touch with our partners and staff on the ground."

In those countries where Barclays does have a presence, volunteers from among the employees work with charity officers, visit local groups and use their skills and experience to add value to the programme. "These linkages are very important. Our colleagues work with these groups and gain a great understanding of their needs and attitudes," says Wong. "This learning is shared within Barclays so that our whole business will benefit. One of my key tasks will be taking best practices forward, exploring the key challenges and critically look at what worked and what could've been done better."

This learning, he hopes, will inform not only Barclays, but other banks, NGOs and eventually governments on how to deliver financial inclusion programmes that are not only driven by social and business benefits, but are also sustainable development solutions in the long run.

One item that is likely to feature among Wong's final report's "key challenges" is the bank's working relationship with the charities, a tripartite corporate and NGO partnership that was quite unique at the time of its inception and which was recognised as a likely challenge, even before the project began.

Christine Svarer, CARE International UK's Head of Private Sector Engagement, says: "What worked fantastically well was that Barclays realised right from the start that working with NGOs would require

*This is supporting people to develop the skills they need to make real, sustainable changes in their communities*

## the company

Barclays is a major global financial services provider engaged in retail banking, credit cards, corporate and investment banking and wealth management, and has an extensive international presence in Europe, the Americas, Africa and Asia. It operates in more than 50 countries and employs more than 145,000 people. It reported full-year group profits as £6.06bn for 2010, up 92%. Net income rose 22% to £25.77bn.

■ Barclays aims to deliver on four key areas: maintaining a strong capital base, improving returns, delivering selective income growth, and demonstrating its credentials as a global citizen.

■ The bank is committed to continuing carbon reductions, through work on its data centres and sustainable building design, with achievement of the ISO14001 Environmental Management System extended to include the Barclays Capital & Wealth operations in Birmingham, Moscow, Singapore and New York.

■ In 2010, Barclays purchased 1,192,000 carbon credits from projects in Brazil, China, India, South Korea, Tanzania, Kenya and Thailand. This purchase offset global carbon emissions from energy and travel totalling 1,005,000 tonnes of CO<sub>2</sub> reported in 2009 and an additional 133,000 tonnes of CO<sub>2</sub> for 2008.

a significant investment of time and energy. And it was fully prepared to make that investment."

So, in the year before the project was officially launched, Barclays, CARE and Plan staff, both at home and on the ground in the client countries, attended meetings facilitated by a third party to thrash out a common working policy.

"We all learned so much from these meetings," says Svarer, "which we at CARE have been able to take to other partners. It was sometimes hard work and there were misunderstandings. But although we were approaching the project from different angles, we all had the same aim. All the partners recognised that we needed each other's skills and expertise if the project was going to be effective."

Such is the importance of the lessons others can learn from the relationship between Barclays and the charities that a panel will be convened on 26 October in London to explore the experience and give others a "realistic perspective" of forging a working partnership across corporate and NGO boundaries.

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## comment BARCLAYS



Microfinance has long been associated with Asian banks, particularly in India and Pakistan. This is changing and Barclays' 'Banking on Change' is an interesting twist on an established formula. CARE International UK first developed the concept of community-managed savings groups, known as Village Savings and Loans Associations, more than 20 years ago. Barclays and fellow partner Plan UK is taking this concept to a new level, with the bank investing £10m into the project. The aim is to make a real difference by turning the microfinance process around, creating self-governing groups to pool their resources into a central fund issuing savings and loans services to each other. It keeps interest rates down and builds trust within the community.

### Points to note:

- Innovation on a microfinance model, building on community networks.
- Barclays engagement through NGOs and recognising the need to devote time and energy to develop the partnership through a year's pre-planning.
- Senior level buy-in and support to ensure the programme is sustainable.

PHILIPPA FOSTER BACK, INSTITUTE OF BUSINESS ETHICS

**Everything Everywhere: volunteering**

# Just five minutes to make a difference

*Our busy lifestyles make it increasingly difficult for many ordinary people to give time to charity. But, thanks to a mobile phone app from Everything Everywhere, we can now help out during those everyday ‘thumb-twiddling’ moments*

In keeping with almost everyone during a recession, UK charities are cautious about the future. According to a National Council for Voluntary Organisations survey published in September, a third of charity leaders believe they will have to scale back their services over the next year because of the continuing downturn.

But while there might not be much money around, the raw materials – people – are not in such short supply. According to Third Sector Foresight, while long-term commitment to charities is falling, interest in short bursts of support is on the rise. Its research suggests that our busy, modern lifestyles are pushing us more towards ‘episodic volunteering’

(involvement in one-off activities) and ‘micro-volunteering’, very short periods of time, usually given on a non-committal basis. Participants also increasingly want their

volunteering ‘leisure time’ to be fun.

Enter Everything Everywhere and the Do Some Good smartphone application. People might have little time to make big volunteering contributions in this fast-paced world, but most have the odd five minutes to contribute, and this app is designed to enable people with busy lives to engage with issues and causes they care about in a fun, interesting and easy way, while helping charities to meet their objectives.

Everything Everywhere brand Orange launched the app on the iPhone at the end of March, though it has since moved on to other smartphone platforms. The idea is simple: charities from the Samaritans to the World Clean Air Force Initiative can run pieces of research and surveys, as well as a range of other tasks, such as assistance with translations and photography, from people as they wait for a train, walk in the park or wander between meetings.

For Groundwork UK, for instance, people can take a quick snap with their camera phone of green spaces that they like. This is sent through the app to the charity, which then creates an online map of great green spaces from these recommendations. The

charity is using submissions as part of its campaign to improve urban living and help ensure local councils don’t earmark green spaces for development.

A more fun example is Poo Patrol. Volunteers take pictures of dog waste in their local community in an effort to clean up the streets and can also do the same if they spot graffiti. Others include people with language skills being able to translate briefs for people who don’t speak English, giving advice to people abroad on practical skills.

Everything Everywhere head of respect and responsibility, Helen Davies, claimed that one million of these five-minute activities is the equivalent of 10 years worth of volunteering. This is a big target, so to encourage more users onto the app, Orange offers music rewards, such as gig tickets, every time someone completes 60 actions.

“We all have these thumb-twiddling moments, sitting at the bus stop,” says Georgie Sutcliffe, the app’s product manager. “This app lets you become a bite size volunteer and you can help a lot of different charities, from the local to the global.”

Davies adds: “This is a recognition of how people live their lives in the 21st century, including choice and flexibility. We’re not saying that it’s the only way to volunteer.”

The target for the first year was to hit 50,000 actions within the first 12 months. The app is well in

**“ This app lets you become a bite size volunteer and you can help a lot of charities, from the local to the global ”**

## the company

Everything Everywhere was created on 1 April 2010 as a result of a decision by France Telecom and Deutsche Telekom in 2009 to merge T-Mobile UK and Orange UK into a 50:50 joint venture. The merger created the UK’s leading mobile phone network operator, with nearly 28 million customers and more than 720 retail stores across the country. The merged group generates revenues of around £5.2bn, which amounts to just under 35% of total UK mobile retail revenue.

■ Launched in 1994, the Orange network grew to reach 90% of the UK population in two years and the Orange Group now has more than 130 million customers across five continents.

■ T-Mobile UK started life as One2One. The network was acquired by Deutsche Telekom in 1999 and rebranded in 2002. It sells more than 4.5 million handsets and 10 million SIM cards a year, and has more than 12 million customers.

■ The name Everything Everywhere originates from the company’s plans to give customers instant access to ‘everything everywhere’.



advance of this timetable, with 20,000 mobile volunteers already performing 30,000 actions. That first year's target should, then, be reached in 10 months.

To maximise the app's effectiveness and, therefore, the impact on charities, Orange developed it through an open innovation process. This involved inviting app developers and charities to join an online forum that enabled them to share ideas on how the app could look. The ambitions and ideas behind the venture were open to all, including competitors. "We wanted to be collaborative," says Sutcliffe. "We did this through a crowd sourcing platform which generated the best ideas through an online voting process. For a competitive industry like ours, this is unusual. We talked about this for months before we launched it."

The app neatly fits into UK prime minister David Cameron's concept of the Big Society, which he often describes as the centrepiece of his administration's political agenda. This vision lies behind the creation in July of Big Society Capital, a bank designed to fund voluntary projects and social sector organisations.

Indeed, Cameron backed the app from its launch, when he stated: "Millions of people who don't currently volunteer would like to do so if they had the time and information to make it as easy as possible. Do Some Good is a great way of tapping into this huge pool of untapped volunteering energy."

Davies points out that with this kind of endorsement, the app has "already been recognised as something new", while there is still so much more potential as Do Some Good is "definitely still in a growth phase".

For Orange, there is little doubt that this innovative

app improves the company's image. The company has a history of creating hugely successful marketing exercises, most notably the two-for-one cinema tickets offer it coined Orange Wednesdays.

There are also the technology benefits, as it allows Orange to experiment with new ideas of encouraging people to use apps more broadly.

As Sutcliffe concludes: "For sure this generates love for the brand. But it's about more than that. It's about creating pride within the company."

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The app can be downloaded from the Orange website at [www.orange.co.uk/dosomegood](http://www.orange.co.uk/dosomegood)

## comment EVERYTHING EVERYWHERE



Everything Everywhere has provided a unique opportunity for its customers to volunteer in many small ways, which will collectively make a big impact.

The Do Some Good mobile phone app is an example of a company 'thinking outside the box' about ways that they can use their expertise (in this case technological) and their outreach (their millions of customers) to make a positive impact on charities.

### Points to note:

- The way the company has used its knowledge of its customers' mobile usage to encourage them to 'micro-volunteer' through the app, encouraging volunteering in a new generation.
- The use of a crowd sourcing platform as an open innovation process to ensure that the app worked for the charities involved, and the fact that the process was open to all, including competitors.
- The awareness that, not only is this good for the company's reputation externally, but that it also boosts internal pride.

KATHERINE BRADSHAW, INSTITUTE OF BUSINESS ETHICS

## Gatwick Airport: community involvement

# Grow trust, keep it simple

*BAA's enforced sale of London's second airport was used as an opportunity to reach out to its local community and communicate its social, environmental and operational vision for a Decade of Change*

Other than, perhaps, nuclear power stations and government arms depots, there can be few more regulated places to work than an airport. Everything from aircraft parking charges to incentives on capital planning boasts a weighty rulebook all of its own. Airports' social and environmental impacts are far from exempt. Take noise pollution. Airport operators are subject to strict norms covering departing aircraft, night flying and – in the case of Gatwick and Heathrow – even housing noise insulation schemes. Exceed these by the tiniest fraction of a decibel and fines start being meted out.

Like Heathrow, Stansted, Glasgow and Edinburgh, Gatwick used to shelter under the BAA umbrella. That was until December 2009, when the London-based airport was spun off on its own after orders from the Competition Commission. The UK's second busiest airport was snapped up by private investment fund Global Infrastructure Partners for £1.5bn.

"Previously, under BAA we relied heavily on a centralised, Heathrow-focused strategy for social and environmental performance," says Tom Denton, head of corporate responsibility at the airport. "We saw it [the sell-off] as a clear opportunity to start almost with a blank sheet of paper and assess what would be a realistic approach for Gatwick specifically."

Gatwick's new strategy had to account for a change in the political winds. The UK's coalition

government, elected last year, has indefinitely parked all airport expansion plans in London and the South East of England. At the same time, Gatwick's new owners have ambitions to grow passenger numbers by one fifth by 2020. (In 2010, 33 million passengers passed through the airport's doors).

That left Denton and Gatwick's corporate responsibility manager Tom Hall with a taxing challenge: to do more with less. The dilemma was not all bad as it put sustainability centre stage. By prioritising social and environmental management, the airport operators could theoretically reduce resource use and cut costs without compromising their growth-without-expansion plans.

A responsible business approach promises to serve the airport's strategic interests in another respect too. As a heavily regulated industry, airport operators need the ear of regulators. More

importantly still, they need their trust. Although there are no prospects for a second runway, Gatwick is rolling out a £1bn capital investment programme. Enacting it requires the authorities' goodwill, particularly the planning authorities. "If they don't trust us and don't feel we have our social and environmental impacts covered, it's far more difficult to get things approved," observes Denton.

What emerged in August 2010, therefore, was a step-by-step strategy to spell out the airport's corporate responsibility vision through to 2020.

Its Decade of Change is structured around ten priority areas. The majority have an environmental angle, ranging from carbon emissions and waste to noise levels and water management. Social and economic issues are included too, appearing in Gatwick's commitment to be a "trusted and valued neighbour" as well as a driver of local economic activity – its economic footprint is already in the region of £2bn.

Right down to the strategy's straightforward name, Hall and Denton had one abiding principle: "Keep it simple." The document is just that. It communicates the airport's sustainability challenges, its strategic approach, its current performance and – most importantly – its future targets.

If special-interest stakeholders need more information, then it's there too, Denton insists. They can drill down into Gatwick's website for specific performance metrics, such as on air quality and noise, as well as peruse Gatwick's latest corporate responsibility report (released in October) or download detailed policy response documents.

"We are still reporting in the same detail, we're just doing it in a more engaging way," Denton adds.

The approach appears to be working. Jeremy Taylor, chief executive of the Gatwick Diamond

**“We're still reporting in the same detail, we're just doing it in a more engaging way”**

## the company

Gatwick Airport is the UK's second largest airport and the busiest single-runway airport in the world. It serves more than 200 destinations – more than any other UK airport – in 90 countries for around 33 million passengers a year on short- and long-haul point-to-point services, and aims to increase this to 40 million by 2020. It is also a major economic driver for the south-east region of England, generating around 23,000 on-airport jobs and 13,000 jobs through related activities.

- The airport's approach to carbon management received accreditation last year through both the Carbon Trust Standard and the Airport Council International's Airport Accreditation Award.
- The airport last year donated £170,000 to the Gatwick Airport Community Trust.



Business Association, a network of local businesses, says the document communicates “very clearly” what the airport is setting out to achieve. “Something that is 15 pages long coming out of an airport is really remarkable,” he adds.

Many of the 200-plus businesses operating on the site echo the sentiment. Denton maintains that the new strategy document is helping to “open doors for discussion” with airlines, retailers and other companies operating out of Gatwick. “To gain that buy-in, we needed to demonstrate that we have a robust and transparent sustainability strategy,” he stresses. The same is true for Gatwick’s own internal stakeholders. Engaging the airport operator’s management and its employees was paramount for the corporate responsibility team. As Hall puts it, they didn’t want “another report ... that looks good on paper and then just sits on a shelf”.

The Decade of Change strategy, therefore, began life as a collaborative process. All Gatwick’s key teams were widely consulted, with their feedback informing the thinking of a cross-functional strategy group tasked with developing specific target areas and goals. For senior management, Hall and Denton then ran a series of workshops to explain the strategy. To press home their case, they stressed the bottom-line benefits derived from resource efficiency. Not content to leave it there, they worked with the heads of each of Gatwick’s dozen or so business units to break the strategy into “tangible and achievable” targets.

To help in taking the strategy from paper into practice, the corporate responsibility team also drafted in individual employees. A volunteer ‘Airport Environment Partner’ was appointed to each business unit. Their task is twofold: to spread the word to their colleagues, and to feedback advice and insights to management. “To be effective, they must be someone who is senior enough to recommend a decision, but close enough to the ground to know about operational efficiencies,” says Hall.

As an additional step, Gatwick also hired human resource specialist firm Reed to take each partner through its ‘Green Manager’ training programme.

Denton admits that it’s early days. Gatwick’s Decade of Change is only a little over a year old. The airport operator, he says, finds itself in a “transition stage” from corporate responsibility being a “bolt on” to being “business as usual”.

Not that the strategy is without some early wins. Gatwick’s recent corporate responsibility report notes a 10% reduction in water use, for example. Waste to landfill is also down almost 5%.

Other targets will take longer to meet. A cold winter, for instance, pushed up gas consumption and set back advances towards Gatwick’s ambitious target of a 50% reduction in carbon emissions by 2020 (against a 1990 baseline). Gatwick are still on track to achieve this target.

Looking back at the last 12 months, Hall and Denton come back to the buy-in that the new strategy has engendered. Relationships are being strengthened. Key stakeholders are being engaged. Trust is being built. None are especially easy to quantify, but all are integral to achieving the Decade of Change’s goals. A newly independent Gatwick has established a clear flight path and a firm base from which to take off. Ahead, an interesting flight awaits.

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Passengers using one of Gatwick’s many travelators. The airport hopes to increase passenger numbers to 40 million a year by 2020

## comment GATWICK AIRPORT



Emphasising corporate responsibility in all relations with its stakeholders and at the same time, improving the bottom line even over a 10 year period, is ambitious. Gatwick Airport’s leadership is determined to see that it happens and the programme for achieving this has been underway for a year.

It has had a good start. Critical to this has been the cooperation of staff at all levels as well as an open relationship with its stakeholders. This has meant the conscious generation of trust with those both within and outside the operation.

### Points to note:

- The widespread consultation process to launch the programme.
- Measurable targets.
- Volunteer environment partners in each business unit.
- Reporting non achievements as well as successes.

SIMON WEBBLEY, INSTITUTE OF BUSINESS ETHICS

## ICCSR: education

# A driver of future value

*The International Centre for Corporate Social Responsibility approach to teaching the subject has been to put CSR at the centre of business strategy, rather than as a specialist, standalone area of study*

**W**earing Well: a struggling clothes and home-ware retailer; losing touch with customers; sales nose-diving; share price dropping.

Add to that the question marks over its supply chain, low staff retention and ethical concerns about its edible thongs, nipple tassels and other “raunchy Christmas gifts”. The prognosis was not good.

New private equity fund owners introduced a new management team with a dual mission: to draw up a five-year strategy to turn things around and, secondly, to explore potential opportunities around the sustainability agenda.

Nottingham University Business School’s MBA students will be familiar with the scenario. Since 2009, the MBA programme has included a core module that integrates mainstream business disciplines with the emerging field of sustainability.

The reasoning for this is that it is imperative for today’s managers to treat sustainability as a driver of future value, not as an add-on for specialist practitioners, says Nottingham University’s Professor Jeremy Moon. Hence the inclusion of the subject as a core teaching module on the MBA.

The same belief is reflected in how the centre teaches the subject. In an attempt to beat the “silos mentality” that affects both business teaching and company practice, the Nottingham MBA stresses the importance of an interdisciplinary, cross-functional approach. Indeed, the module invites students to develop a five-year vision for the ailing retail company, not a stand-alone plan for its sustainability activities. “We purposely situated the issue within business strategy rather than addressing it separately,” says Moon, who heads up Nottingham’s International Centre for Corporate Social Responsibility, which runs the MBA module.

This is not wishful thinking on the part of sustainability advocates, he insists. Harvard management guru Michael Porter is just one of an emerging raft of scholars to “take seriously” the relationship between long-term, sustainable business practices and the business bottom line. So, students on the course find sustainability appearing alongside marketing, finance, procurement and other core components of the MBA curriculum.

The centre is not blind to the scepticism with which

many mainstream MBA candidates look at sustainability, a topic often perceived as a ‘soft’ management issue. Again, the module’s integrated nature aims to overcome that, says Wendy Chapple, the centre’s deputy director: “When developing the course, our approach was to treat the sustainability agenda as a way of getting ideas and generating new pathways for a company that is failing. We don’t go in saying that you have to be green.”

A final, essential feature of the module is its emphasis on experiential learning. Students work in assigned teams and are instructed to write their own company biographies. Decisions are made through discussion and debate, and tested and refined through role-playing and workshops. “You can talk and talk, but until people actually feel it and connect with it [the sustainability agenda], then it won’t change their decision-making,” argues Chapple.

Not that classroom teaching is avoided. Students receive a number of hours of formal instruction in stakeholder theory and other aspects of sustainability theory. They must also complete a written essay, which accounts for half their mark. To ground such teaching in practical realities, the course administrators also invite in representatives of the business world. Early in the week-long module, the students receive an economic overview from a Bank of England representative and a session on scenario planning from think-tank Forum for the Future.

The final input comes in the form of a presentation by a senior business leader. Most recently, students heard observations from the director of the European Retail Round Table (whose members boast annual sales worth €400bn). Chapple believes it important that the business briefing isn’t provided by someone with ‘sustainability’ in their job title. “They’re not sustainability experts, but mainstream business

“Until people connect with the sustainability agenda, it won’t change their decision making”

## the organisation

Founded in 2002, the ICCSR aims to lead CSR research and teaching and provides two highly-regarded programmes (an MSc and an MBA), in addition to supervising specialist research degrees. ICCSR staff teach, lead or contribute to six specialist MBA and MSc modules, as well as an undergraduate module in subject areas as diverse as business ethics, corporate governance and social accountability, sustainable management, economics and social entrepreneurship. ICCSR staff have led a wide range of research projects and its publications have made a significant contribution to academic literature in this area. Current staff research interests include SRI, corporate community involvement, reporting and diversity, and CSR in Asia.



practitioners who reflect on the emerging importance of sustainability in their field.”

Central to the module is the case scenario. By choosing the retail sector, the module designers picked a cut-throat industry with no margins for woolly thinking. Outside experts on the centre’s advisory panel also give ongoing input to ensure the course content remains contemporary and relevant. The latest version of the module, for example, works within the context of the UK’s summer riots.

As well as taking account of the general sustainability agenda, the MBA participants are met with what Moon refers to as “interventions” – specific sustainability-related events that demand a fast, sure-footed response. The events in question might range from the sudden discovery of child labour in the supply chain, an environmental disaster or, perish the thought, consumer opposition to the edible thongs. As the week proceeds, the pressure mounts. The students are not only required to develop a robust, forward-looking strategy. They must defend it too. First comes a simulated press conference, during which students are put through their paces as a panel of practising journalists grill them on the ins and outs of their strategy.

Next, the students must tackle an interrogation by hard-nosed investors in the shape of a senior executive board meeting. “What we try and do is bring them some unexpected trouble to see if their strategy survives contact with reality – or as much reality as we can inject into it,” says David Pemberton, director of planning and administration at Business in the Community.

Success or failure rests on two basic questions: will their strategies increase sales at Wearing Well? And how does their strategy add value? “It proves to be a very earthy experience,” says Pemberton, who sits on the faux board. “The students generally get a shock to see just how focused a board can be.”

Glenn Robinson, a 45-year-old chartered accountant and former student, admits the “real world situation” did indeed turn out to be gruelling. That said, he credits the overall experience with bringing together a number of disparate strands on the MBA. “I was sceptical that you could marry the fundamentals of the programme with sustainability without short-changing one or the other, but this module managed to do it very well,” says Robinson.

According to Chapple, the feedback from students

has been generally positive. Most admit to emerging from the course with an expanded understanding of sustainability and its importance to strategy. A few even confess to “light bulb moments”, she notes.

As sustainability becomes more recognised as a mainstream management science, expect more MBA programmes to follow Nottingham University Business School’s lead. The main accreditation bodies responsible for rating business schools are already looking for some evidence of the subject on the curriculum. Likewise, the UN’s Global Compact is pushing for a similar outcome under the aegis of the Principles for Responsible Management Education.

The trend is not just top-down. While the number of academic papers on sustainability grows, the proliferation of campus groups such as Net Impact demonstrates how students are becoming increasingly engaged. Should other business schools look to adopt a similar module in the future, they would be well advised to keep the teaching practical, experiential and multidisciplinary.

The case for integrating sustainability into MBA curricula is far from won, says Professor Moon: “If it doesn’t work, it’ll only serve to increase people’s scepticism” about the sustainability agenda.

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**The class of CSR: a group of Nottingham University MBA students**

## comment ICCSR



ICCSR has made significant strides in integrating sustainability into MBA education. Teaching the subject alongside marketing, finance and other core curriculum components shows students that sustainability is not just an add-on. Critical to the course’s success is the input of business professionals who don’t exclusively sit in sustainability roles and outside experts on the centre’s advisory panel who ensure the content is relevant. However, there is a long way to go in overcoming the notion that sustainability is a ‘soft’ management topic.

### Points to note:

- there is a strong emphasis on the business case for integrating sustainability into strategic decision making and the commercial advantages that it can yield.
- students are required to consider and respond to ‘unexpected’ issues, such as the discovery of child labour in the supply chain and defend their business strategy to a range of stakeholders.
- the course strikes a good balance between theory and practice and supports UN Global Compact Principles for Responsible Management Education goals.

JUDITH IRWIN, INSTITUTE OF BUSINESS ETHICS

## Nestlé: supply chain management

# Creating shared values

*Nestlé sees supporting its supplier base and rural development as a means of creating mutual benefit for the company and the farming communities it relies on, as well as improving the quality, quantity and sustainability of its products*

**N**estlé, the world's largest food and nutrition company, has been involved in rural development in emerging countries since the 1920s. At that time, the Swiss giant built factories in South Africa and Brazil as it created new milk markets in countries with burgeoning farming sectors.

Today, Nestlé has 443 factories around the globe, nearly a third of which are in rural areas in the developing world. With that history and breadth of experience, it is unsurprising that Nestlé is highly skilled at making rural development of mutual benefit to both the company and the community in which it operates.

In its 2010 Creating Shared Value report, released earlier this year, Nestlé could reel off an array of impressive facts about its 144 factories in developing, rural areas: a third have numeracy and literacy programmes, two thirds include a Nestlé-built water treatment plant, and just over half offer formal apprenticeship training.

Nestlé public affairs communications manager John Bee said: "This starts from our approach to doing business, the idea that creating shared value for shareholders and the communities that you impact or represent."

As Nestlé is constantly sourcing raw materials for its products, those communities are almost always near or in rural areas. As a company specialising in nutrition, Nestlé usually focuses on programmes that improve the health of both the people and the livestock. In Pakistan, for example, Nestlé wanted to improve the quality of its dairy supply, partly through adding iron to milk to prevent anaemia, a major public health issue in the country. The key project was to improve veterinary services to the animals.

The company had to be sensitive to local culture. Many of the herders are women, so Nestlé had to train cadres of female 'paravets', the animal equivalent of community health workers, as it would not have been considered appropriate to have a sudden influx of male workers.

"In partnership with the Swiss Agency for Development & Co-operation, we provided them with start-up kits that included basic medicines and gave them training," explains Bee. "This empowered women and increased the productivity of the

animals. History suggests that we build loyalty among our supplier base by doing this (helping and training the local workforce), especially when we source directly from them."

At present, Nestlé sources around 10% directly from suppliers as opposed to using intermediary buyers. Bee says that the company is looking to increase that percentage, with the benefits for Nestlé being a better control on quality and for the farmers being that they get to take a greater proportion of the revenue.

While the benefits of investing in these developing areas are not always tangible, Bee is convinced that building this supplier loyalty means that this is "risk mitigating". By securing the supply chain, these communities and businesses are unlikely to accept the advances of any industrial competitors.

In many instances, Nestlé is building up entire new industries and revitalising dying ones. Bee points to the Cocoa Plan, which will see a million plants distributed to farmers next year.

These will be planted in major cocoa growing countries, such as Ivory Coast, and new cocoa growing countries like Indonesia. As well as improving the crops, the plan also looks to improve access to schools for the farmers' children – hugely important given concerns about child labour that in cocoa production.

One of the key ambitions is to improve the quality, quantity and sustainability of cocoa production. The targets Nestlé have set itself are tough, such as increasing the number of cocoa plants produced in

**When most people were talking about climate change, we were talking about water**

## the company

Nestlé is the world's biggest food company. Its core profits in 2010 came to CHF9.7bn (£6.8bn, US\$10.5bn), which excludes the sale of its stake in eyecare group Alcon to Swiss health giant Novartis for CHF24.5bn. An emphasis on internal standards, sustainability and compliance with laws and international conventions, such as the Universal Declaration of Human Rights, as well as strong support for the UN Global Compact, is the foundation of its business. This focus covers:

- Nutrition – using science-based solutions to offer products of a higher nutritional value and aid consumers' health and wellbeing
- Water – working with stakeholders to manage water consumption in its operations and supply chain, and contribute to sustainable community water management schemes.
- Rural development – striving to increase farmers' incomes via increased productivity, efficiency and access to markets, growing higher-value crops, diversifying income and investing in factories and infrastructure.



Ivory Coast and Ecuador from 225,000 in 2010 to 600,000 this year. A similar concept is the Nescafé Plan, which will see CHF350m (£248m) invested over the next ten years in coffee initiatives. By 2015, the amount of coffee that Nestlé's Nescafé subsidiary directly procures will have doubled and, by 2020, some 220 million plantlets will have been distributed to farmers.

Arguably more than anything else, though, it is water that is Nestlé's primary concern. "When most people were talking about climate change, we were talking about water," says Bee.

This is not just about introducing water treatment plants and improving the quality available for drinking to farmers, but also an aim to reduce consumption. Farmers use around 70% of the world's fresh water, but supply is becoming increasingly scarce, particularly as richer, growing urban areas have the economic might to outbid them.

Farmers typically use around 3,000 litres of water to produce just 1kg of raw materials. Nestlé has brought this down to just three litres per kilo in its factories and advises many of the 556,600 farmers who supply the company directly on better water management. This includes constructing water storage systems, which prevent the massive losses in evaporation, and efficient irrigation, which stops water flowing away from the land with the nutrients needed to grow the crops.

In Nestlé's Mossel Bay factory in South Africa, for example, the company reduced water consumption by 54% at a time when the area was enduring its worst drought in more than 130 years. Techniques used to achieve this included awareness programmes, water recovery and recycling, modifying hosepipe nozzles and introducing improved measurements of usage. This ensured reduced water flow and that the exact amount of water needed was used. Previously, it was all too

easy to waste water by accidentally spraying too much from a wide nozzle.

According to the UN Food & Agriculture Organization (FAO), the world needs to double its food production by 2050 to meet the consumption requirements of a larger and richer population. Multinational companies involved in nutrition and food production will be integral to meeting these demands and, the FAO says, investment in developing world agriculture must increase by 60%.

The techniques and investment Nestlé deploy provide a template of how the private sector can help achieve these goals – while, at the same time, ensuring that there are economic benefits to satisfy shareholders.

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**A farmer in Ivory Coast tends to cocoa plants developed using somatic embryogenesis at Nestlé's R&D centre in Adibjan**

#### comment NESTLÉ



The UN Food & Agricultural Organization say food production needs to double over the next 40 years. Nestlé knows about nutrition. Its primary source of raw materials is farmers, and it has impressive programmes not only to raise their productivity, but also to improve the health of people and livestock.

Nestlé say that water is their primary concern. The number of litres used by their suppliers to produce 1kg of raw material has dropped dramatically. For instance, one factory in South Africa reduced consumption by 54% during an intensive drought period. Nestlé seems to have found a way of combining successfully the increases in the value of their investments with improving lifestyles of their suppliers in some of the poorer places in the world.

#### Points to note:

- Improving veterinary services for suppliers is mutually beneficial.
- Farmers use 70% of the world's fresh water.
- The partnership with Swiss agency to produce veterinary 'start up' kits.
- A million coffee plants being distributed to farmers in 2012.

SIMON WEBLEY, INSTITUTE OF BUSINESS ETHICS

## Pret A Manger: training and mentoring

# A job recipe that works

*Pret A Manger's apprenticeship scheme is designed to remove the barriers to employment for homeless people and former offenders, and help them break the cycle of deprivation to become valued team members*

When it came to lunch on the go, college friends Julian Metcalfe and Sinclair Beecham were fed up with the usual fast-food fodder. They wanted what they saw as healthier, tastier options. And so, 25 years ago, they set about selling their own brand of freshly-made sandwiches.

The formula became an instant hit. The sandwiches flew off the shelves. From that first outlet in the central London district of Victoria, Pret A Manger now counts more than 260 stores around the world.

As with any business, those early days proved foundational. It was in Victoria that Pret's creators toyed with the menu that would prove so popular in the future. The company's Victoria beginnings carry another legacy too: a corporate commitment to tackle homelessness. At the end of their very first day's trading, Julian and Sinclair donated their leftover food to folk sleeping rough in the immediate vicinity. The custom stuck.

Since 1995, when the founding duo established the company's own charitable foundation, Pret has sought to structure its support for homelessness in a more formalised way. The Pret Foundation Trust annually donates 2.4 million products to a variety of homeless charities, as well as donating cash (£1.1m over five years) and professional services too.

Three years ago, it struck Nicki Fisher, Pret's head of sustainability, that the time had come to assess the effectiveness of their support. "We took a look at the issue holistically and tried to work out how to break the cycle of homelessness," she explains.

It's not easy. Homelessness tends to precipitate further problems. If you've no fixed address, banks are unlikely to give you a bank account. Without a bank account, it's difficult to get a job. Without a job, the temptation to commit crime – or repeat offend in many cases – is exacerbated. It is a vicious cycle.

How could a large retailer intervene? Sponsoring a skills-learning scheme to increase youth employability could be one option. Advocating for increased vocational training could be another.

What Pret actually decided to do was set up its own in-house apprenticeship scheme. Targeting homeless people and former offenders specifically, the food outlet chain offers a work placement for three months.

Co-ordinated and funded through the Foundation,

the apprentices are treated the same as every other employee: they undertake the same tasks, work the same hours and, above all, get paid the same wage. "Getting paid the same is crucial to making them feel valued and part of the team," says Fisher.

Pret isn't blind to the leap that full-time work can represent for those unaccustomed to 6am starts and shop floor responsibilities. Each apprentice, for example, is given £100 at the outset to ensure they have suitable clothes and the company pays for the cost of their travel for the entire three months. "We do this to remove all the obstacles that prevent them from working," Fisher adds. Training is also provided during their placement, as well as guidance from a mentor.

A regular pay packet is clearly a critical step to help people get back on their feet, but that is not the whole picture. The feeling of self-worth that comes from employment and the chance to be part of a team also make a profound difference, according to Fisher.

"The network of friendship among our employees is very strong and the apprentices get amalgamated into this. In some cases, they even end up renting a place together," she adds. The success rate to date has been extraordinary: more than 85% of the apprentices have stayed on and now work as full-time employees.

Jay is evidence of how the programme is turning individual lives around. Finding himself homeless at the age of 22, he joined Pret's apprenticeship scheme in 2009. Two years on and he's a 'hot chef' – a role that includes maintaining all hot food quality and equipment to training other team members – at the company's Regent Street branch in London.

Jay was referred to Pret by Michael Kenny, director of St Mary-le-Bow Homeless Project, one of the eight homeless charities affiliated with the programme. "Pret is one of the only organisations that will take

**We took a look at the issue holistically and tried to work out how to break the cycle of homelessness**

## the company

Pret was launched in London in 1986 by college friends and business novices, Sinclair Beecham and Julian Metcalfe. Their aim of proper sandwiches avoiding the chemicals, additives and preservatives common to much of the 'prepared' and 'fast' food on the market today. Pret owns and operates more than 250 shops in Britain, the US and Hong Kong, with annual sales of £350m. There are 213 shops in the UK, three-quarters of which are within the M25 commuter belt, selling more than 30 million sandwiches and baguettes a year. Total sales growth worldwide in 2010 is expected to be close to 18%. Founders Beecham and Metcalfe set up The Pret Foundation Trust in 1995 with the aim of alleviating poverty in the UK – particularly focusing on the homeless. The trust is funded by company and customer donations, as well as the proceeds of an annual auction for staff and suppliers.



them onto an apprenticeship and then into a job,” Kenny says. “Most employers just don’t want to know.” He credits the positive atmosphere and management support in Pret’s stores, plus the on-the-job training, for the scheme’s “remarkable success”.

Not all apprentices adapt. Fisher cites the case of one young man who was arrested midway through his placement for dealing drugs. The difficulty for older people to change negative behavioural patterns means Pret tends to favour younger candidates, but this is by no means a hard and fast rule.

The majority do complete the apprenticeship, however. And for them, Pret offers a full-time position where it can. Their consequent loyalty is one of the unexpected business benefits for the company, Fisher admits. “We’ve given them a break when others would write them off. That they are still working for us shows the level of loyalty that creates,” she says.

The positive response among management and employees in participating stores represents a second ancillary bonus. For a store manager, seeing an apprentice successfully through his or her placement is seen as a “feather in their cap”, says Fisher. Likewise, employees feel “specially chosen” that their store has been selected for the programme.

Pret uses its internal magazine and other internal communication channels to spread the word about the initiative across the company as a whole. Broader communication has been limited so far, though. A percentage of the sale of a few Pret products goes towards funding the programme. For these, there’s some on-pack messaging. A small amount of in-store communication exists too.

In general, however, Pret has preferred to “keep quiet” about the programme, admits Fisher. The reason is partly cultural (Pret tends to eschew heavy advertising) and partly because it is still early days. Three years in and Pret has 43 apprentices but aims to increase the number to between 70 and 80. As the programme beds down, Pret could leverage its success in its wider communications. By the same token, advertising the programme could present an

opportunity to bring it to scale. As yet, no other employers are involved. Were that to change, Fisher admits, more long-term openings for apprentices could become available.

St Mary-le-Bow’s Kenny would be the first to welcome such an expansion. “This kind of programme should be developed ... so more young people can be paid and can become independent,” he states. “Our primary concern and goal is that the apprentices get into permanent employment. So far, we’ve been able to accommodate that, hence the 85% success rate. The 15% who haven’t stayed with us have left because they’ve dropped out, not because we’ve been unable to place them.

“As the scheme expands to cities across the UK where we may not be able to absorb them into the business, we will forge links with other employers to help ensure they find permanent employment.”

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**World of work: the busy team at Pret’s outlet in the Strand, central London**

## comment PRET A MANGER



Pret A Manger’s founders integrated the concept of corporate responsibility into their business model from the start: making healthy, fresh produce and working to tackle a local problem. Pret A Manger’s internal apprenticeship scheme is having demonstrable positive impacts on participants; they are given the opportunity to learn new skills and meet new people, with financial and mentor support. The true value of this approach is reflected by the fact that 85% of participants stay with the company in full-time employment. The desire to develop partnerships and engage with other companies to push this initiative forward makes Pret A Manger a leader in its sector.

### Points to note:

- Pret A Manger is addressing the problem of homelessness effectively by adopting a holistic and long term approach.
- The programme provides immediate and long term benefits for participants.
- Internal communications means employees are engaged with the scheme and motivates them to support it.

SABRINA BASRAN, INSTITUTE OF BUSINESS ETHICS

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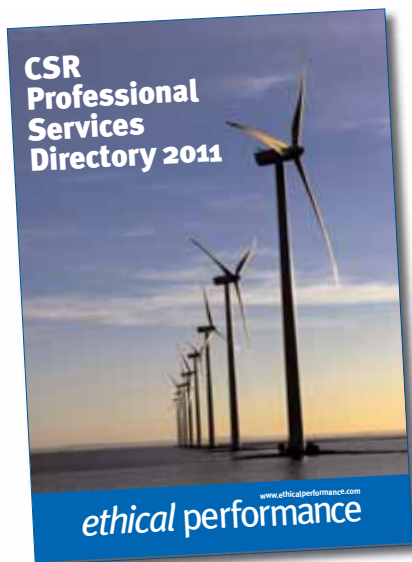
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