

## CSR case studies



### Kingfisher plc

Development of a 'ladder' approach to help a diverse group to manage the social and environmental impact of its activities over a wide range of issues.

#### ● The company

A market-leading home improvement retailer, the Kingfisher Group comprises a number of companies including B&Q, Castorama and Brico Depot, with stores in the UK, France, Poland, Italy, China, Taiwan, Spain and Turkey. In addition to retail stores Kingfisher has sourcing offices in Eastern Europe, China, India and South Africa, and over 8,000 suppliers based all over the world.

The mission of the company is to be either the largest (or, depending on the country, second largest) home improvement retailer in the European and Asian countries in which it operates. The company includes sustainable development in its vision "...to ensure that the long-term development of our business is sustainable and reflects the values and expectations of our communities".

In the 1990s B&Q developed a reputation for environmental policies that were driven by risk management. These policies were initiated by a simple question from a journalist, who asked how much tropical timber B&Q sold. B&Q worked with a range of interested groups, including the environmental NGO WWF, to develop a market-based system – the Forest Stewardship Council's certification scheme – to provide the necessary information to verify that B&Q's timber and wood based products come from forests that are managed sustainably.

When Kingfisher acquired Castorama in 1999 it realised that, due to differences in approaches to corporate social responsibility (CSR) between Castorama and B&Q, they needed a coordinated approach to CSR. Kingfisher's response to this challenge began with the development of a plan for CSR and a strategic toolkit approach, which it published in October 2001. The plan described the business case for CSR and outlined six areas where CSR would help the business: being ready for the future; maintaining respect for people; creating stores that are welcomed by communities; product innovation; saving costs; and enhancement of the brand. The plan is now in action and Kingfisher started producing CSR annual reports in 2002.

This case study focuses on how the development of a strategic management tool - the 'ladder' approach – has helped Kingfisher to manage its CSR strategies over a diverse range of businesses, issues and cultures.

#### ● The drivers

Initially there were two main drivers for Kingfisher's CSR approach. The first was the need to respond to enquiries about Kingfisher from investors and journalists. This meant that the company needed to be aware of the impact of the operations of all its operating companies within the group. Secondly, there was recognition of the need for a coordinated approach across the whole business on issues, such as sourcing of raw materials,

which affect the company's reputation. Today a major driver is the actual business case that CSR helps deliver to investors, customers and staff who all appreciate a business that makes sustainable profits based on a sustainable supply of products.

The diversity and differences across the businesses operating within the Kingfisher group presented a particular challenge in developing a corporate management tool for CSR. "As a global company we did not aspire to have the same standards across the business, but rather to have a common approach and a common direction," said Ray Baker, Director of Social Responsibility at Kingfisher.

● **Taking action**

The 'toolkit' approach that was developed by Kingfisher is in the form of a 'ladder' (see Box 1). Essentially it is a simple way of helping individual companies to identify and approach CSR issues and progress up the 'ladder'. The tool also enabled different companies in the group to benchmark their varied activities against each other, against competition and against government indicators.

The Kingfisher 'ladder' was devised as a concept in 2000, and built on B&Q's ten years' experience of addressing issues such as the sourcing of legal and sustainably managed timber and wood products.

An important principle in the 'ladder's' development was the identification, through discussions with managers in all the operating companies in the group, of twelve key issues or global trends. These included nine environmental elements, such as the amount and disposal of waste, and three social elements, for example factory working conditions. Each of the operating companies has a 'ladder' for each of these 12 issues.

The 'ladder' approach was approved by Kingfisher's CSR steering committees, comprising company directors and members of staff representing all areas of the business, as a way of protecting the integrity of the business

in terms of risk to reputation and also identifying the opportunities which CSR offers and how it related to their business.

Implementation of the 'ladder' was varied, depending on the initial reaction of the operating companies, some of which had difficulty understanding the concept of CSR seen to be working and progress can be demonstrated on different issues.

**Box 1: The 'ladder'**

The 'ladder' has four rungs which cover:

1. *Leadership* – companies on this, the highest, rung will be actively involved on a particular trend or issue. They will be recognised as 'best in class' and making a significant contribution to the overall discussion in society.
2. *Creating opportunity* – companies on this rung will be using the trend to create a business opportunity, whether from cost savings, an improved marketing position, or in some other way
3. *Managing the issue* – On this rung companies will be managing the trend in a positive and comprehensive manner. They will have a good understanding of how trends will affect their products, processes and people and be willing to discuss the issues with interested parties.
4. *Managing the risk* – companies on this rung will take a reactive approach implementing only those actions which are essential to protect their business from current trends.

This can be illustrated by the example of B&Q China, a relatively new retailer in the country and arguably one without the power to influence supply chains due to the low volumes it buys compared to, for example, the leverage that B&Q UK's 300-odd stores can exert.

Currently, as a comparison, B&Q China would not be able to meet the minimum requirements acceptable by B&Q UK. The initial challenge was therefore to develop a management tool that would help B&Q China managers to identify actions that could be monitored and evaluated, ensuring that minimum requirements were met – this is the first rung of the ladder. The ‘ladder’ achieved this by providing a framework that recognised that, instead of a ‘one size fits all’ approach, actions developed must be appropriate to local conditions. Further actions will be then be identified by B&Q China so that it can move up the ladder and eventually demonstrate leadership as a company operating in China.

● **The business benefits**

Both risk elements and commercial opportunities are explicit in Kingfisher’s ‘ladder’ approach to CSR. The ‘ladder’ makes clear the relevance of CSR to the group’s commercial strategy and links it back to corporate business objectives. “An example would be our actions on a sourcing strategy that allows us to work with our suppliers to help them understand how improving factory working conditions and raising standards of health and safety helps to improve productivity”, said Ray Baker.

The ‘ladder’ approach has enhanced the Kingfisher brand as investors, board members of operating companies and their staff have become engaged in it. Within Kingfisher it has also helped operating companies to understand the role of Kingfisher as both the group’s ‘policeman’ (helping to identify issues before they happen), and ‘coach/trainer’ (helping the operating companies to grow their businesses and respond to the CSR issues).

● **Why is it CSR?**

Moving up the ‘ladder’ involves actions that go beyond compliance, as the lowest rung involves meeting legal requirements as a means of managing risk. These actions result in improvements in Kingfisher’s operations, which have an impact on its social, environmental, ethical and economic performance.

● **What next?**

The ‘ladder’ is still maturing and will require further refinement. The next step will be to secure commitments by operating companies for progress up the ladder and with Kingfisher’s help develop policies and targets in the form of business focused action plans.

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Any comments on this profile? Would you like your organisation to be profiled? For further information please contact Dr Paul Toyne at Article 13 on 020 8840 4450 or email [ptoyne@article13.com](mailto:ptoyne@article13.com).

For more information on Kingfisher please contact Ray Baker on 020 7372 8008 or email [ray.baker@kingfisher.com](mailto:ray.baker@kingfisher.com)