

# **The Social Role of Business in Society and The Body Shop**

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## **Summary of Seminar**

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I'd like to tell you about my experiences with The Body Shop and its community involvement. I'll be talking mainly about The Body Shop in Australia because that's where most of my time was spent. First though, I'd like to talk a bit about my history so that you can perhaps understand some of the experiences that have moulded me and see that I do have a fairly unusual background for a business person and do have a very different view of the world from most of my peers. Most people in the business world operate within totally different parameters to me and I wouldn't for one moment want to underestimate the difficulties to be faced to get the commercial world to embrace the concepts that we are all here to discuss today. However, I believe we must try.

When I first emigrated from England to Adelaide way back in 1967 my first job was as a clerk in a scientific supply company. I enjoyed the work but very soon there was something nagging away at me. In the words of one of my favourite Julie London songs I found myself asking "Is that all there is?" I enjoyed the work, I enjoyed my colleagues, my prospects were good and my salary of \$27 a week wasn't bad for an 18 year old! But working to make money for the shareholders left me feeling that I wasn't really contributing to society.

In my, perhaps youthful naiveté I thought that working for the government might be the way to go. I applied to various government departments with community responsibilities but the only one which showed the slightest bit of interest in me was the SA Department for Aboriginal Affairs. Perhaps that says something about the state of attitudes to Aboriginal people back then because it definitely wasn't one of the glamour departments. I joined them as an accounts clerk but after a year won a place on a welfare training course. After the course I decided to get professional qualifications in social work and so started a full-time course. This led to my coming to New Zealand where I worked for the National Society on Alcoholism and Drug Dependency in Hamilton and later in Wellington, then I was back to Adelaide where I worked as a social work advisor to the SA Royal Commission into the Non-Medical Use of Drugs.

When the commission wound up, I headed to England. I still intended to continue with social work but found that while my social work qualifications were accepted my experience wasn't and I'd have to start again at the base grade. At this time I was questioning the effectiveness of current social work practices and so I undertook another career change and became a trainee manager in the Wimpy fast food chain. It was while working as a manager for Wimpy that I first realised that many of the skills I'd learned as a social worker were very useful in management, in particular getting the best out of people by understanding them.

Via a fairly circuitous route I ended up working for Myer Department stores in Melbourne. Myer had taken on the Wimpy franchise for Australia and had recruited me to help set it up. But with Myer, my then boss, Graeme Wise and I were also investigating the feasibility of opening The Body Shop in Australia. After almost a year Myer decided not to proceed with any franchising. Graeme and I had had an inkling that this was going to happen and had worked out what we wanted to do - which was to take up The Body Shop franchise ourselves.

Well what happened next was that Graeme and I were made redundant, and never have two guys been so happy to lose their jobs! With our redundancy money and a bank loan of \$10,000 each we set up in business together. We opened our first store 20 years ago this month and gradually built up our organisation to 80 outlets both in Australia and here in New Zealand. Then, in 2000 Graeme and I decided that after working together for 18 years it was time to dissolve our partnership and I and my family moved to Wellington to become involved full time in The Body Shop New Zealand and Graeme took over the sole running of the Australian franchise.

Now back in 1982 when Graeme and I first got involved with the Body Shop it was a fairly small company. I think there were about 30 stores in the UK and about the same number overseas. It was still a privately owned company and was run along fairly traditional lines. Then, in 1984 the company went public in a very high profile launch and the founders, Anita and Gordon Roddick realized 1) that they were wealthy and 2) that they were now in a position to put into practice the things that they believed in. Both Anita and Gordon had left-wing beliefs and had been socially active during the late '60s and early '70s. I know, for example, that Anita was active in the campaigns that Shelter ran in support of the homeless in the UK. Now that The Body Shop was flourishing they both felt that they could use the company to work for what they saw as the betterment of society.

In Australia, as I'll explain, we too embraced the business philosophies of the Roddicks. For me, it's been a never-ending source of wonderment that I've been able to build up a successful business without compromising my beliefs about social justice, and, even more than that, that we've been able to use the business as a tool to try to bring about change in society.

I think that the underlying premise that drives my views on the role of business in the world today is that if business is to succeed and to prosper then it has to accept that it is a part of society and not apart from society. We need to accept that the right to make a profit by exploitation of resources, in whatever form they may be, is balanced by a responsibility to act for the overall good of society. We need to accept that the problems that face society also confront business and that business has to play its part if seeking solutions.

In recent years there has been much debate and discussion, particularly in academic circles, about the concept known as social capital. From my standpoint the essence of social capital is working together for the common good, finding ways to add resilience to communities by forging links between individuals and groups. It's about sharing a sense of belonging, of feeling that you matter, that you can make a difference - that your life is not controlled by some amorphous "other", be that government or corporation. It's about nurturing a strong community and a strong society and building trust between individuals. It's about having trust in our social institutions, including business, to operate in a way that is in the best interests of society rather than narrow self interest. This, to me, is the challenge. To get business to accept that the stronger the society is in which they operate then the better off they will be.

Business operates most successfully in democratic, well-ordered societies which have minimal corruption and a solid foundation of education, healthcare and welfare provided by or overseen by governments. Because it is in the interests of business to ensure that their markets operate within civil societies, it is important that they recognize and support the principles of civil society rather than threaten or weaken them as they have done in the past.

It is being increasingly argued that if business fails to accept joint responsibility with governments and communities for addressing social problems, then ultimately the result will be a decreasing level of support for business as society is forced to devote more of its resources to address problems associated with social polarization and destabilization.

Unfortunately, there have been too many instances in the not-too-distant past where business has chosen to go for the financial bottom line, regardless of the social cost. Examples can be found where long-term risks to local culture and the environment have been ignored by multinational companies in the pursuit of short-term profit, with disastrous consequences. These disastrous lose/lose situations are frequently created by the ignorance and unwillingness of organizations and governments to attend to the social and environmental obligations they have to indigenous peoples and their lands. Had CRA been more concerned with the needs of the inhabitants of Bouganville than the requirements of their shareholders when starting the vast Panguna mine then maybe the disastrous civil war on the island which claimed many thousands of lives might have been avoided. Had Shell Oil been concerned about the local population of Ogoniland in Nigeria rather than the return to their shareholders then maybe the loss of life and environmental vandalism in that country might have been avoided.

So, how do individuals and corporations challenge behaviours and ensure that we take all dimensions of sustainable business seriously? How do we ensure that those of us in business are truly adding value to society by our presence?

I'd like to explain how we in the Body Shop are trying to create a sustainable, value-adding business through a triple bottom line approach. This approach means being aware of the environmental and social impact of what you do as well as the financial and helps to move towards the sustainable future envisioned by the World Commission on Environment and Development (the Bruntland Commission). In its 1987 report "Our Common Future", the Bruntland Commission put forward the now well known definition of sustainable development as "development which meets the need of the present without compromising the ability of future generations to meet their own needs".

While there have been many further definitions put forward since this original Bruntland definition, this definition is simple and makes explicit the notion that sustainable development is not simply about environmental protection, conservation of finite resources or maintenance of biodiversity. It recognizes a wider set of challenges for attaining genuine sustainable development. For instance, the questions of poverty alleviation, population stabilization, female empowerment, employment creation, human rights observance and opportunity redistribution. So, if the Bruntland definition is

accepted then environmental and social progress together with economic self-sufficiency must all form part of the agenda for sustainable development.

Another way of looking at this is by taking a stakeholder view of business, which requires a company to balance the interests of all groups affected by the decisions, policies and practices of the company. In their book “The Stakeholder Corporation”, David Wheeler and Maria Silanpaa include in their long list of stakeholders local communities, the natural environment, civic institutions and social pressure groups. Many of the interests between the various stakeholders, however, are seemingly incompatible. For example, the need to produce profits for investors in the short-term compared to devoting a proportion of the profits to protecting the environment in the interests of future generations. Only with a long-term view of a company’s profitability and viability can these different interests be served and reconciled.

Among the assumptions upon which the stakeholder approach is based are:

- That business can successfully create two kinds of value - commercial and social
- That social and commercial value are mutually reinforcing, leading to greater stakeholder loyalty and corporate resilience
- That social and corporate transparency leads to greater organizational identity and efficiency
- That, by almost any measure, stakeholder-inclusive enterprises will outperform stockholder-inclusive enterprises with increasing ease as this century progresses.

From this it can be seen that a stakeholder approach to business is not about altruism. It is not about the need of one group being sacrificed for the needs of another. It is not about the tyranny of the “or” in profits OR principles, it is about the wonder of the “and” in profits AND principles. It is about balancing the needs of all groups so that in the long run everyone wins.

Contrary to what many CEOs and economists would have us believe, the desire to assist to run a social and environmentally responsible business and the ability to make a profit are not mutually exclusive. It is just a way to make that profit sustainable. So, in summary, social involvement is good for both stakeholders and for businesses. This is what we in The Body Shop believe and what we hope other companies will come to believe.

So, how do we put our beliefs into practice and what has been the impact on our business?

It’s difficult to precisely remember the motivation that first led us to get involved with our community. It’s not been a plan that we sat down, thought about and put in place. Rather it’s been more a series of serendipitous events that encouraged us to do more and the thought that it was the right thing to do. I do remember that from the early days of our involvement with the Body Shop we encouraged each of our stores to undertake what we called then, a community project. It’s now known as “employee volunteering”. What

we wanted each store to do was to get involved with a local group and, for a few hours of worktime each week to do volunteer work with the group. We didn't really mind what the group was, what was important was that staff had the opportunity to be exposed to situations they might not otherwise experience. So, we had shops working with senior citizens, with AIDs support groups, with the SPCA.

We often get asked whether employee volunteering makes good business sense. To us it does. Certainly it increases our wage costs but it does seem to produce a real win/win situation. Our staff win because they are exposed to situations they wouldn't otherwise face, while the community wins by having volunteers they wouldn't otherwise have. We win as a company by having tremendously motivated staff.

As I said each of our stores had their project, but it occurred to me that we didn't have a company-wide programme. To remedy this, Graeme and I approached the Brotherhood of St Laurence, a well-known Anglican welfare agency in Victoria, and asked whether there was a program that they'd like to run and that we could get involved with. What eventuated was a retail training program for long-term unemployed and homeless young people. The initial program entailed a two-week work preparation course run by the Brotherhood followed by six months of a combination of classroom work and practical experience in The Body Shop. We learned a lot from the first course which led us to modify the program, but the program did become an ongoing part of The Body Shop business.

Now, quite by chance, at the same time as this program started, the Australian government was trying to find examples of job creation schemes for young people that it could support. They heard about the project that The Body Shop was running with the Brotherhood of St Laurence, liked it and adopted the model for what they called their JPET programme (Job Placement, Employment and Training). And we got a lot of positive publicity.

Another spin off from this was that we were approached by the Federal Government Department of Education Training and Youth Affairs to work with them to develop a workshop on entrepreneurship for young people from the South Pacific area. The first time this happened they kept very tight control of the purse strings but they must have liked what we did because they asked us to run another workshop the following year and this time they just gave us the money to run it. And this has happened every year since.

An interesting aside here was that through these workshops we did start building up relationships with Aboriginal groups and did build up something of a reputation as being supportive of Aboriginal rights. At the time the Federal Government was pushing through legislation restricting the ability to claim native title over traditional lands. A group in Melbourne was trying to raise awareness and opposition to what the government was proposing by selling what they called "Sorry" armbands and approached us to see whether they could be sold through our shops. I couldn't see any harm in doing this and agreed that we carry them in our Melbourne stores for a couple of weeks. Well, all hell broke loose! A right-wing Member of Parliament got very upset that a business such as

ours should be meddling in politics and called for a boycott of our shops. This made the papers and we were even being called for interviews by the BBC. I also got a call from the aide to the Minister responsible for native title who said the Minister wanted to have a meeting to explain why we were wrong about native title. I couldn't attend but a couple of colleagues went to Canberra to meet him. After he had explained to them why The Body Shop was wrong to be opposing the legislation they got a message that the Minister for Aboriginal Affairs would like to meet with them. He told them that he was very impressed with the work that the Body Shop was doing with Aboriginal people, that he had some money in his budget that he was finding it hard to spend and was there a project that we would like to develop to use up this money. Naturally we said we'd love to do something and the upshot was FAB First Australians Business - an organization to develop the business skills of young Aboriginal business people by providing them with mentors.

We also worked with the Cape York Land Council in Far North Queensland to explore ways to bring economic self sufficiency to Aboriginal Australia and overcome the terrible effects that the welfare mentality has had on Aboriginal culture over the past 25-30 years. A key part of what was being planned was the development of an Indigenous Business Institute on Cape York to provide business training for Aboriginal people from throughout Australia and eventually from the South Pacific.

As you'll probably gather from what I've been saying, a large part of the involvement of The Body Shop with the community has been about trying to build up skill levels, particularly business skills. There is a growing awareness, especially in Australia but also I think here in New Zealand, that many of the problems facing indigenous people (high rates of alcoholism, domestic violence, disproportionate imprisonment rates and decreasing life expectancy) are exacerbated by dependence on welfare payments, and action needs to be taken if this dependency on the welfare cycle is to be broken. Building up skill levels and creating employment opportunities is obviously one way to help bring this about.

Now from what I've been saying, you may think that this has all been plain sailing and that everything we've done has turned to gold. This is definitely not the case. We have had some frustrating and disappointing failures. Two in particular spring to mind. The first arose from a desire to ethically source an ingredient for a product range. Australian tea tree oil has been used as a medicine by Aboriginal people for thousands of years, but the oil used in The Body Shop tea tree range was obtained from commercial sources. Graeme and I felt that we should be able to work with an Aboriginal group to produce the oil we needed. We came across an Aboriginal community in north Queensland which wanted to grow tea tree oil commercially but couldn't find a market for their product. It seemed to be an ideal situation. The community could concentrate on growing the tea tree without having to find the market for it and we would have an ethical source for the oil we needed. So, for three years we worked closely with the community, helping them locate advisors and plant and equipment but in the end we were all defeated. The community organization and way that the Government structured financial

support for the community was such that it was easier for the Aboriginal people to do nothing and continue the cycle of welfare dependency.

The second project that did not succeed was “Speakout”. This was a venture initiated by us with support from the Australian Youth Foundation and the Federal Government. The idea was that young, long-term unemployed people in Sydney would be taught skills in the making of T-shirts and streetwear. It had a shaky start with a high turnover of trainees but seemed to be getting on firmer ground with support from fabric suppliers and retailers. But in the end the costs of production were too high to compete commercially and the financial drain on The Body Shop became too great and Speakout folded. This was disappointing but even so there were some plusses to draw from the experience with several young people being able to build up their skill levels to the point where they were able to gain and maintain mainstream employment.

Now the things I’ve been talking about until now have been fairly major projects involving a large commitment of resources, both human and financial by The Body Shop. But not all programmes have been like that. I believe it’s true to say that most approaches we’ve had from community groups for assistance have been for money. This is probably the easy solution to problems that such groups face, but it is not necessarily the best solution or the solution we were interested in providing. On reflection, I think that providing money, while meeting short term needs can actually weaken a group in the longer term. With Speakout for example, had we just provided seed funding rather than acting as an on-going bank then maybe the company would have grown into a more resilient organization.

Out N About is another organization I am involved with and which illustrates what I am saying. Out N About provides support services and training programs for young people in Victoria who have difficulty in remaining within the school system. The Body Shop did provide funding to get the agency off the ground but we made it clear that the funding was short term. This forced Out N About to be able to demonstrate to funding bodies that it was providing valuable services and was worthy of support. This it has been able to do admirably and is going from strength to strength with no financial assistance from The Body Shop.

If we didn’t provide money then what did we do? If money was the issue, we would work with the group to explore alternative funding options. For example a fund-raising breakfast which would enable the group to explain what it was trying to achieve and hopefully gain support from other interested people. If the group produced a product, we would see whether we could sell it through our shops. This happened on a couple of occasions - once with an Aboriginal group which produced clay pots and once with a project of the Brotherhood of St Laurence which produced packaging for our gift packs.

Finding the balance between providing sufficient support to allow the group to flourish and providing too much support and encouraging dependence, thereby weakening the group, is the key. I remember an example from The Body Shop International which illustrates the potential danger of being too supportive. Anita Roddick came across a

paper company in Nepal that was run for the benefit of the local community. It made wonderful hand-made paper and profits were used to provide education and conduct health awareness campaigns. AIDS was an enormous problem in the region largely brought about by the habits of long-haul truck drivers and this company attempted to tackle the problem. Anita was so impressed with the work of the company that she organized for a huge order to be placed on behalf of all The Body Shops in the world. Overjoyed with this new arrangement, the company increased its staff and arranged for new equipment. The Body Shops were supportive but, while we may be good at selling soap and shampoo, we're not so good at selling handmade paper. Subsequent orders were much smaller and the Nepal company was approaching financial disaster. Fortunately, The Body Shop recognized what it had done and was able to step in and work with the company to find new markets for its output and the company not only survived but thrived. It was a valuable lesson, though.

In other cases when we've been approached for help we've provided staff to serve on the management committees of groups thereby giving them access to skills they might not otherwise be able to benefit from. We were fortunate that with a large employee base we were able to provide groups with access to skills in areas such as marketing, accounting, IT, training personnel and property. I think one of the keys here is flexibility from all parties and a willingness to explore options so that the best solution to a request for help can be found, and that may not always be the obvious solution.

As I said at the beginning of my talk, I realize that I might not fit the stereotype of the businessman and that The Body Shop is not the typical business. But I do believe that there is an increasing awareness in the business community of the need for involvement in the community. And not just for the cynical and opportunistic reasons, but for a genuine desire to help.

Hopefully, forums such as this and the other ones we're taking part in this week will help us all to understand the differing needs and ways of working of community groups and businesses so that we can all contribute to the healthy communities we all strive for. Finally two quotes that continue to inspire me:

From Margaret Mead "never doubt the ability of a small group of committed people to bring about change. Indeed it is the only thing that ever has." And from Anita Roddick "If you think you're too small to be effective then you've never been to bed with a mosquito"