

# **Individual Assignment #2 Corporate Social Responsibility (CSR) Analysis**

The purpose of this assignment is to analyze a case study pertaining to a concept known as corporate social responsibility (CSR). You are assigned to give an example of the organization (company) where performs well in Corporate Social Responsibility (CSR). The following example is the guideline for the assignment.

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## **Example**

### **Case Study: Corporate Social Responsibility of Starbucks**

Starbucks is the world's largest and most popular coffee company. Since the beginning, this premier cafe aimed to deliver the world's finest fresh-roasted coffee. Today the company dominates the industry and has created a brand that is tantamount with loyalty, integrity and proven longevity. Starbucks is not just a name, but a culture.

#### **Corporate Social Responsibility of Starbucks**

It is obvious that Starbucks and their CEO Howard Shultz are aware of the importance of corporate social responsibility. Every company has problems they can work on and improve in and so does Starbucks. As of recent, Starbucks has done a great job showing their employees how important they are to the company. Along with committing to every employee, they have gone to great lengths to improve the environment for everyone. Ethical and unethical behavior is always a hot topic for the media, and Starbucks has to be careful with the decisions they make and how they affect their public persona.

The corporate social responsibility of the Starbucks Corporation address the following issues: Starbucks commitment to the environment, Starbucks commitment to the employees, Starbucks commitment to consumers, discussions of ethical and unethical business behavior, and Starbucks commitment and response to shareholders.

#### **Commitment to the Environment**

The first way Starbucks has shown corporate social responsibility is through their commitment to the environment. In order to improve the environment, with a little push from the NGO, Starbucks first main goal was to provide more Fair Trade Coffee. What this means is that Starbucks will aim to

only buy 100 percent responsibly grown and traded coffee. Not only does responsibly grown coffee help the environment, it benefits the farmers as well. Responsibly grown coffee means preserving energy and water at the farms. In turn, this costs more for the company overall, but the environmental improvements are worth it. Starbucks and the environment benefits from this decision because it helps continue to portray a clean image.

Another way to improve the environment directly through their stores is by “going green”. Their first attempt to produce a green store was in Manhattan. Starbucks made that decision to renovate a 15 year old store. This renovation included replacing old equipment with more energy efficient ones. To educate the community, they placed plaques throughout the store explaining their new green elements and how they work. This new Manhattan store now conserves energy, water, materials, and uses recycled/recyclable products. Twelve stores total plan to be renovated and Starbucks has promised to make each new store LEED, meaning a Leader in Energy and Environmental Design. LEED improves performance regarding energy savings, water efficiency, and emission reduction. Many people don’t look into environmentally friendly appliances because the upfront cost is always more. According to Starbucks, going green over time outweighs the upfront cost by a long shot. Hopefully, these new design elements will help the environment and get Starbucks ahead of their market.

### **Commitment to Consumers**

The second way Starbucks has shown corporate social responsibility is through their commitment to consumers. The best way to get the customers what they want is to understand their demographic groups. By doing research on Starbucks consumer demographics, they realized that people with disabilities are very important. The company is trying to turn stores into a more adequate environment for customers with disabilities. A few changes include: lowering counter height to improve easy of ordering for people in wheelchairs, adding at least one handicap accessible entrance, adding disability etiquette to employee handbooks, training employees to educate them on disabilities, and by joining the National Business Disability Council. By joining the National Business Disability Council, Starbucks gains access to resumes of people with disabilities.

Another way Starbucks has shown commitment to the consumers is by cutting costs and retaining loyal customers. For frequent, loyal customers, Starbucks decided to provide a loyalty card. Once a customer has obtained this card, they are given incentives and promotions for continuing to frequent their stores. Promotions include discounted drinks and free flavor shots to repeat visitors. Also, with the economy being at an all time low, Starbucks realized that cheaper prices were a necessity. By simplifying their business practices, they were able to provide lower prices for their customers. For example, they use only one recipe for banana bread, rather than eleven!

It doesn't end there either! Starbucks recognized that health is part of social responsibility. To promote healthier living, they introduced "skinny" versions of most drinks, while keeping the delicious flavor. For example, the skinny vanilla latte has 90 calories compared to the original with 190 calories. Since Starbucks doesn't just sell beverages now, they introduced low calorie snacks. Along with the snacks and beverages, nutrition facts were available for each item.

Also one big way to cut costs was outsourcing payroll and Human Resources administration. By creating a global platform for their administration system, Starbucks is able to provide more employees with benefits. Plus, they are able to spend more money on pleasing customers, rather than on a benefits system.

### **Commitment and Response to Shareholders**

One way Starbucks has demonstrated their commitment and response to shareholder needs is by giving them large portions. By large portions, Starbucks is implying that they plan pay dividends equal to 35% or higher of net income to. For the shareholders, paying high dividends means certainty about the company's financial well-being. Along with that, they plan to purchase 15 million more shares of stock, and hopefully this will attract investors who focus on stocks with good results.

Starbucks made their commitment to shareholders obvious by speaking directly to the media about it. In 2004, Starbucks won a great tax break, but unfortunately the media saw them as "money grubbing". Their CEO, Howard Shultz, made the decision to get into politics and speak to Washington about expanding health care and the importance of this to the company. Not only does he want his shareholders to see his commitment, but he wants all of America to be able to reap this benefits.

In order to compete with McDonalds and keeping payout to their shareholders high, Starbucks needed a serious turnaround. They did decide to halt growth in North America but not in Japan. Shultz found that drinking coffee is becoming extremely popular for the Japanese. To show shareholders there is a silver lining, he announced they plan to open "thousands of stores" in Japan and Vietnamese markets.

### **Commitment to Employees**

The first and biggest way Starbucks shows their commitment to employees is by just taking care of their workers. For example, they know how important health care, stock options, and compensation are to people in this economy. The Starbucks policy states that as long as you work 20 hours a week you get benefits and stock options. These benefits include health insurance and contributions to employee's 401k plan. Starbucks doesn't exclude part time workers, because they feel they are just as valuable as full time workers. Since Starbucks doesn't have

typical business hours like an office job, the part time workers help working the odd shifts.

Another way Starbucks shows their commitment to employees is by treating them like individuals, not just number 500 out of 26,000 employees. Howard Shultz, CEO, always tries to keep humanity and compassion in mind. When he first started at Starbucks, he remembered how much he liked it that people cared about him, so he decided to continue this consideration for employees. Shultz feels that a first impression is very important. On an employee's first day, he lets each new employee know how happy he is to have them as part of their business, whether it is in person or through a video. His theory is that making a good first impression on a new hire is similar to teaching a child good values. Through their growth, he feels each employee will keep in mind that the company does care about them. Shultz wants people to know what he and the company stand for, and what they are trying to accomplish.

### **Ethical/Unethical Business Behavior**

The last way Starbucks demonstrates corporate social responsibility is through ethical behavior and the occasional unethical behavior. The first ethically positive thing Starbucks involves them self in is the NGO and Fair Trade coffee. Even though purchasing mostly Fair Trade coffee seriously affected their profits, Starbucks knew it was the right thing to do. They also knew that if they did it the right way, everyone would benefit, from farmers, to the environment, to their public image.

In the fall of 2010, Starbucks chose to team up with Jumpstart, a program that gives children a head start on their education. By donating to literacy organizations and volunteering with Jumpstart, Starbucks has made an impact on the children in America, in a very positive way.

Of course there are negatives that come along with the positives. Starbucks isn't the "perfect" company like it may seem. In 2008, Starbucks made the decision to close 616 stores because they were not performing very well. In order for Starbucks to close this many stores in one year, they had to battle many landlords due to the chain breaking lease agreements. Starbucks tried pushing for rent cuts but some stores did have to break their agreements. On top of breaching lease agreements, Starbucks was not able to grow as much as planned, resulting their future landlords were hurting as well. To fix these problems, tenants typically will offer a buyout or find a replacement tenant, but landlords are in no way forced to go with any of these options. These efforts became extremely time consuming and costly, causing Starbucks to give up on many lease agreements.

As for Starbucks ethical behavior is a different story when forced into the media light. In 2008, a big media uproar arose due to them wanting to re-release their old logo for their 35th anniversary. The old coffee cup logo was basically a topless mermaid, which in Starbucks' opinion is just a mythological creature, not a sex symbol. Media critics fought that someone needed to protect the creature's

modesty. Starbucks found this outrageous. In order to end the drama and please the critics, they chose to make the image more modest by lengthening her hair to cover her body and soften her facial expression. Rather than ignoring the media concerns, Starbucks met in the middle to celebrate their 35th anniversary.

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