Corporate Social Responsibility: The Key to Creating Successful Companies, Customers, and Cohabitation

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In the economic realm of globalization, more and more firms are becoming aware of not just the type of business they conduct, but also how their business practices are carried out. It is safe to say, gone are the days when people can think the planet will continue to provide them with unlimited resources. Everyday, the media reports on how precious resources like oil, water and timber are being depleted at an alarming rate. Interestingly, many of the same people who are bombarded with these devastating messages are also shareholders in business firms operating throughout the U.S. and the rest of the world. In fact, as many as 50% of people within the United States own some form of security (stocks and bonds) or other investment instruments. When we factor in the accelerating demand for a "greener" economy from people across the span of industrialized nations, we can see a basis forming for firms to change the way they do business, and also to make their efforts as public as possible. Within the world of business, this phenomenon has come to be known as *"Corporate Social Responsibility" (CSR).* Over the past decade, CSR has gained considerable momentum. Two factors have come together to motivate this: not only do CSR policies inform shareholders of what firms are doing with their resources, but such policies, in turn, actually increase profits while recognizing the ethical concerns of involved parties (Harford 5-15).

Although the precise ramifications of CSR remain somewhat vague and disputed, it appears more and more companies are making serious strides to produce publications on how their policies exemplify practices and outcomes consistent with the mission of CSR. It is virtually impossible to find a Fortune 500 company in today's marketplace that does not publish an annual CSR report along with traditional financial reports. Many experts argue that companies choose to do this in an effort to win the support of investors wanting to do good while their investments do well. At the same time, there is both an increased demand for investment instruments and a demand to know exactly how the money invested is going to be put to use. Companies that make public how they conduct their business and can show a positive impact on things like the environment attract more interest from prospective shareholders and earn greater sums of money and capital. (Katz 197-200).

The past few decades have seen immense and rapid industrialization across the globe. Nations and private firms made fortunes by exploiting key resources effectively and efficiently. Many companies in Western and Pacific Rim nations adopted business models that led to heavy investments in infrastructure, raw materials, and technology. Aside from producing wealth and innovations facilitating the tasks of everyday life, many of these nations witnessed extremely successful firms within their borders. The United States quickly rose to become the wealthiest nation on earth as more and more of its firms generated massive amounts of wealth through the execution of strategic business practices. One prime example of such a firm within the United States is Starbucks Coffee Company. What makes the Starbucks success such an intriguing story is that the firm is still in a relatively early stage of development compared to other already established American firms. Although Starbucks' brand name seems to be ubiquitous or commonplace, its success and transformation into a Fortune 500 firm should not be taken lightly. The firm achieved this success through hard work, strategic moves and alliances, and an uncommon business model (My Starbucks).

The Starbucks Coffee Company of today began as a small and modestly decorated shop set up in Seattle's historic Pike Place Market. The shop opened in 1971 and was the property of three English school teachers whose desire of artesian coffee surpassed what was available in the United States at the time. What is an immediate surprise to many when they hear of Starbucks' history is the fact that the first store in Pike Place Market sold solely coffee and tea. The shop prided itself on selling items like whole bean coffee and tea leaves that were prepared and sold to customers daily and by hand. In contrast with the Starbucks of today, the shop sold virtually none of the products that the stores today do. Gourmet drinks like white chocolate mochas and caramel macchiatos, which have become commonplace today, did not exist during the first days of Starbucks.

Interestingly enough, the Starbucks emblem was also much different. In fact, the siren, very much like the company itself, went through a rather extreme metamorphosis. The Siren, which appeared on the company's logo, was not as poised and modern, as she appears now. Instead, she was portly and pudgy—resembling nothing of the iconic siren of today. What has remained common over the years is the company's emblem (logo)—a siren's depiction created from nautical tales. The company's emblem became a reflection of its unique history. In order for one to understand the emblem, one must first understand the history behind the company's name. The original owners of the company, after taking into account the first store's location at Pike Place Market and considering a few other names besides "Starbucks," decided to name their company after an appropriate literary work. The name "Starbucks" was drawn from Herman Melville's *Moby Dick* — "Starbuck" was the name of a crewmember abroad the ship that preyed upon the great Moby Dick.

Not only did the company borrow its name from a literary work imbued with nautical themes, but it also borrowed some significant facets of its corporate culture from this context, as well. The company's first location at Pike Place Market in Seattle positioned it in the proximity of well-established marine-type businesses, including seafood restaurants and fishmongers. How these fishmongers sold their products to returning customers, by calling out the type and amount of fish along with the customer's name, clearly impressed the owners of Starbucks, who quickly adopted this methodology. When customers enter a Starbucks today, their name is written on their beverage when they place their order, and called out when the drink is ready.

From this personalized beginning, the company continued to remain unique in the way it did business. Starbucks achieved this by adopting policies that never compromised either employee or customer. Such practices paved the way for the company to gain a larger clientele and thus expand. Although the first few years of the company's operation saw favorable flows of revenue, its sudden expansion become more and more obvious as it continued to open one successful store after another. Many experts have attributed the success of Starbucks to the consistent manner in which it values its people, the communities in which it operates, and its shareholders, all in the same fashion—avoiding the sacrifice of any one for the overarching benefit of other considerations.

There are many ways Starbucks does its part to advocate CSR policies and exercise initiatives demonstrating their viability. One of the company's greatest CSR initiatives involves the promotion of *sustainable coffee farming,* something practiced on virtually every coffee farm from which Starbucks purchases its whole bean coffee. The company's key assumption behind this initiative is that farming, like any other business, must be viable in order to be sustainable. In conjunction with this belief, Starbucks does its best to offer incentives targeted to help encourage coffee farmers to embrace measures that help sustain their livelihoods (Social Responsibility).

Specifically, some of the company's most popular and successful CSR initiatives were entitled *C.A.F.E. (Coffee and Farmer Equity) Practices.* After implementing the program for two years—which comprised social and environmental guidelines for purchasing, producing, and buying coffee—Starbucks was able to establish an incredible precedent in the world of business relationships. Furthermore, in the company's fiscal year for 2006, more than 155 million pounds of coffee were purchased from suppliers operating under C.A.F.E.'s stringent guidelines. What served to distinguish this precedent above other CSR policies was the amount of coffee purchased under the C.A.F.E. guidelines: double the amount was purchased by Starbucks in comparison to the previous year, reflecting the program's impressive impact on the company's suppliers (Social Responsibility).

Fair Trade Certified Coffee is another avenue through which Starbucks publicly demonstrates its CSR policies. The significance behind virtually any product displaying the Fair Trade mark is that its production was in accordance with the standards and guidelines established by Trans Fair USA, a non-profit organization. The organization exists in order to provide poor and disadvantaged farmers in developing countries a better price their goods. The degree to which Starbucks chooses to participate in the purchasing of goods (coffee) that meet the guidelines and standards set by Trans Fair USA is quite significant. In fact, in the 2006 fiscal year, global purchases of Fair Trade Certified coffee by Starbucks operations totaled 18 million pounds. The amount purchased reflected about 6% of Starbucks' total coffee purchases for that fiscal year. Furthermore, Starbucks remains the largest purchaser, roaster, and distributor of Fair Trade Certified coffee in North America (Social Responsibility).

Interestingly, Starbucks might be one of the few corporations today that actively flaunts its social responsibility efforts. The company has long been a boisterous campaigner of sustainable development towards coffee production. According to the company's website, Starbucks demonstrates its social responsibility on a daily basis by participating in initiatives to build and maintain community parks, supporting the Starbucks Foundation, implementing its guidelines concerning cocoa purchasing, promoting sustainable coffee-producing communities, sustaining environmental initiatives, promoting supplier diversity, and emphasizing a viable code of conduct.

Perhaps, the most ingenious of all the Starbucks initiatives is the method by which the company campaigns for and distributes its sustainable zeal. The company is able to achieve such a feat by integrating its CSR efforts into company policy. However, such policy does not just appear in an annual report published at the end of the company's fiscal year, instead it is imbedded within the context and culture of each an every company owned/operated store and/or facility. It is through this avenue, according to the company's website, that employees, suppliers, customers, and the media are both continuously informed and reassured of Starbucks' genuine, conscious efforts towards conservation and innovation.

Another tactic that has won the company recognition and loyalty is its random acts of *Surprise and Delight*. Such actions serve to initiate customer spending, company and product awareness, and brand loyalty by treating patrons to their drink of choice, a discount on future purchases, or other gifts and/or incentives patrons may choose to share with friends and loved ones. The strategy is aimed at delivering what loyal patrons expect (an experience that is genuine, prompt and consistent), but also at establishing a means of communication. By offering free and/or discounted products to both loyal and first-time patrons, Starbucks endeavors to gain a primary advantage in relaying information regarding its values, initiatives, mission and goals — both financial and humanistic.

It should be noted, however, that the culture and society a firm operates in is also a significant factor in promoting the firm's initiatives, and in influencing how CSR practices are viewed and accepted. The truth of the matter is, the degree of approval reflected in a society/culture during the time in which an idea is implemented is crucial. Ideas, initiatives, or policy may be *correct* and *right*, even if society does not value these priorities: advanced ideas and points of view can become marginalized or obsolete before they are able to take root. An example of a company that fits such criteria above is Wal-Mart. From economic and accounting standpoints, Wal-Mart has performed to a miraculous level in its short time as a firm. Given its short history, Wal-Mart, much like Starbucks, has performed impressively in terms of growth, expansion and profits. But while Wal-Mart's expansion has garnered an immense market share, while becoming the distribution arm of China's growing export economy, not surprisingly, it has also drawn significant amounts of negative attention. Critics of Wal-Mart argue the firm has used and continues to use its dominance in the market place to exploit both its employees and the environment.

Wal-Mart, the beloved "*low price leader*," has been accused of operating with low standards in regard to labor relations, media communication, and acceptance of social responsibility. In fact, many of Wal-Mart's counter-arguments against its many critics have been altogether *ex post facto*. The company only began taking aggressive action recently, by hiring public relations managers and marketing campaigns, after a series of lawsuits were filled by employees and outside critics. Nonetheless, such actions did virtually nothing to slow down Wal-Mart's expansion or its rising bottom line. By the end of its fiscal year in 2006, Wal-Mart reported record-breaking gains and various other successes.

As mentioned before, the concept of CSR has only recently become a significant aspect of the business world. Within the past ten years, firms have decided to incorporate CSR reports, guidelines, and methods into the way they do business. The notion behind this is because CSR is closely linked with the concept of sustainable development—another emotionally as well as economically charged subject, with which shareholders across the globe are becoming more concerned. Companies that operate under CSR guidelines offer more hope of sustainable development within the particular industry in which they operate largely due to the notion that the resource outlet, either directly or indirectly, is maintained. Its maintenance is made possible under CSR guidelines because they call for efficient allocation of the resource as well as respectful and environmentally considerate treatment of the resource and the area from which it comes. Either way, both arguments affirm that firms should take into account more than just profits and dividends when they make business decisions: They both emphasize the consideration of short-term and long-term social and environmental consequences regarding certain business decisions (www.wikipedia.com).

At first, many are tempted to think of CSR as a type of charity work that firms take on in order to improve their public relations. Such an assumption is largely flawed because CSR goes beyond simple charity work to evaluate and address the consequences imposed upon the environment, regardless of whether or not that is where a firm draws its resources, as well as the consequences imposed upon stakeholders within the company (Katz 198-9). Such as a holistic approach to doing business calls for firms and various other shareholders to become full partners within their communities. And as partners, firms and organizations that operate under such a business methodology seek to balance the dividends and profits expected by shareholders with the expectations of the communities and eco-systems in which they operate. A widely quoted definition by the World Business Council for Sustainable Development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (www.wikipedia.com)."

Another false assumption made by many is that CSR rules and regulations are the same for every firm across the board. The fact of the matter is that the benefits associated with CSR vary for firms depending on the type of enterprise the firms engage in. This variation makes many of the benefits associated with particular CSR practices difficult to quantify. It should also be noted that the extent to which firms adopt, apply, and ratify (within particular industries) CSR benefits also varies greatly. Some firms choose to adopt very stringent CSR policies, which may include additional volunteering and charitable efforts, whereas others simply produce literature on the subject and nothing more. Depending on the type of firm, its specific area of enterprise, and application of the CSR definitions, CSR can be handled by a single person whose job title and description encompass its administration, a department dedicated to is administration, or to the point that CSR policies are so engrained within company policies and culture that they become rote (www.economist.com).

Some attribute Starbucks' unprecedented success to its unique business model. Like virtually every other firm operating within the United States, Starbucks is mainly concerned with increasing its profits in order to please shareholders. But the company also prides itself on sustaining a business model that accords employees a similar value within its operational calculations. When it comes to CSR, Starbucks considers the issue to be very much like any other business standard. To show its positive attitude toward CSR, Starbucks has decided to incorporate CSR policies into virtually every outlet of its business operations (Harford 200-5). These include areas ranging from retail, shipping, research and development, and especially that of coffee and tea purchasing (CSRwire.com). Thus, Starbucks is an example of the firm that chooses to have a strict application of CSR practices. In an effort to showcase this to the rest of the world, Starbucks proudly produces CRS reports that it distributes annually to all employees and shareholders. The purpose of the publication is to provide statistical and verifiable information that demonstrates the firm's successes and various other endeavors under the guidance of CSR policies (My Starbucks).

Although CSR appears to generate more benefits than it does costs, many have criticized it on a number of economic, social, and ethical issues. Many of those in support of free market policies, whereby regulations that companies have imposed on them are minimal, advocate the notion that the sole purpose of a company is to maximize its profits to its shareholders while obeying laws in the countries in which it operates. Others are even more critical and argue that the only reason companies implement CSR a policy is in an effort to appear more utopian than they actually are. Also, many people fail to understand how, or even why, a company enacts policies that might impede the creation of larger profits in an effort to advance third party benefits (for example, the children in the countries where Starbucks purchases whole bean coffee). However, the fact is that companies driven by total self-interest stand to do even better when they make provision for CSR policies to ensure ethical business relations. The success of Starbucks illustrates how companies can perform well by doing good — that is, by enacting operational practices that are sustainable, profitable, and ethical.

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