

Management at Work

The Canary in the Coal Mine

"If the only reason you're invested in sustainability is because it's the 'right thing to do,' you're in trouble."

—JIM HANNA, DIRECTOR OF ENVIRONMENTAL AFFAIRS, STARBUCKS

According to Starbucks VP of Global Responsibility Ben Packard, the company's efforts to establish itself as a leading sustainable brand start with its *mission*—the statement of its organizational purpose (see Chapter 6). "We aim to take care of the communities that we depend on for our retail business by ... finding meaningful ways to be engaged with those communities," says Packard. "And we aim to take care of those communities where we source our core products, like coffee, tea, and cocoa." It's a matter of "nurturing the human spirit," explains Packard, who adds that incorporating that value into the firm's *culture* has allowed Starbucks to set and meet "very bold standards" in sustainability.

Starbucks sells hot and cold beverages out of more than 23,000 stores in 64 countries, and those stores account for about 80 percent of the company's *carbon footprint*—the total of its greenhouse gas emissions (primarily carbon dioxide). In order to reduce its footprint, Starbucks has set a series of realistic goals to be met by 2015, including the widespread recycling of the disposable cups that it hands out with almost every beverage sold—about 4 billion per year. Actually, those cups constitute only a minuscule fraction of Starbucks' carbon footprint,* but according to Jim Hanna, the company's director of environmental affairs, "perception is reality" when it comes to disposable cups: What most people see is the litter strewn about the streets or tumbling out of overflowing trash cans. By 2015, Starbucks intends to have front-of-store recycling bins in every North American store.

Before we go any further, we should point out that although Starbucks has incorporated sustainability practices into its operations since 1990, it hasn't always been as sensitive to environmental issues as some people would like. If you were hooked on your daily Starbucks latte or cappuccino before 2008, you might have noticed, next to the giant espresso machine, a sink called a "dipper well." Baristas used it to quick-rinse equipment, and the water was kept running to ensure that pipes stayed clean. Unfortunately, leaving the water running in 10,000 stores worldwide used up more than 6 million gallons of water per day—enough to fill an Olympic-size swimming pool every 83 minutes. The company had been

warned that the dipper-well system wasn't good for its environmental reputation, but only after a blitz of bad PR in the global press did Starbucks finally turn off the water. Today, says Ben Packard, "we look at water on the supply side of coffee"—as a resource to be protected—and Starbucks has plans to cut in-store water consumption by 25 percent.

That goal is part of the company's Shared Planet Program, which was launched in 2008. A year later, Starbucks announced that, as part of the same initiative, all of its new stores would satisfy certification requirements for LEED (Leadership in Energy & Environmental Design), a rating system for the construction and operation of environment-friendly buildings. Because the guidelines were developed for office buildings, Starbucks helped to create programs for both new and renovated retail spaces, and 75 percent of all Starbucks locations opening in 2014 attained LEED certification. "My dream," says Jim Hanna, "is that we solve the cup issue and a customer walks into a store and says, 'Look at that ultra-efficient air conditioning unit.'"

By 2015, Starbucks also plans to "ethically source" 100 percent of the coffee that it buys from producers. Over the past 40 years, Starbucks has invested more than \$70 million in programs to support sustainable and socially sound agricultural practices among the roughly 1 million people—most of them in Latin America—who represent its coffee supply chain. Programs include loans to help farmers develop not only sustainable growing practices but forest-conservation practices as well.

Since 2008, Starbucks has partnered with Conservation International (CI), a U.S.-based nonprofit environmental organization, to implement C.A.F.E. (Coffee and Farmer Equity) Practices—a set of independently developed guidelines for monitoring the economic, social, and environmental impact of coffee-production programs and practices. By 2012, 98 percent of the small coffee farms operating according to Starbucks-promoted C.A.F.E. practices had managed to improve soil fertility, and 100 percent of the school-age children on those farms were able to attend school.

CI chairman and CEO Peter Seligmann points out that Starbucks' sustainability efforts are motivated in large part by the need to deal with a major issue in the company's environment, both business and natural: namely, *climate change*—"figuring out how to ensure that coffee farming can be a part of the climate solution," as Ben Packard puts it. "The convergence of climate change and ecosystem deterioration," explains Seligmann, "is what creates stress on the ability of coffee farmers to produce crops." The coffee bean grows only in specific climates, and those climates are particularly vulnerable

* The nitrous oxide that puts the foam in whipped cream accounts for more of Starbucks' carbon footprint than all of its U.S. roasting operations combined.

to rising global temperatures. Thus if Starbucks intends to survive over the long term, it makes good business sense to ensure that it has access to its most important ingredient. "We're the canary in the coal mine," quips Hanna, likening the fate of the first victim of unbreathable air to the company's potential fate as one of the first victims of climate change.

Starbucks, then, sees sustainability as a matter of business survival, and if *business* isn't the operative word, at least it's at the top of the list. "If the only reason you're invested in sustainability is because it's the 'right thing to do,'" says Hanna,

"you're in trouble." A business enterprise needs to see some *return on investment*, and as Clarice Turner, Starbucks VP of U.S. business, puts it, that return "can manifest itself in many ways." Front-of-store recycling, for example, saves thousands of dollars annually in trash-hauling costs." Of course, says Turner, working to reduce the company's environmental impact "is the right thing to do," but she hastens to add that highly visible sustainability efforts also "put a halo on your brand and business, which is very real to both consumers and employees. If done right, those efforts have a tangible bottom-line impact."

Case Questions

1. The term *sustainability* refers generally to the maintenance and preservation of systems and processes. At what types of systems and processes are Starbucks' sustainability efforts directed?

2. In what ways might Starbucks' sustainability efforts be affected by events in each dimension of its general *external environment*—*economic, technological, sociocultural, political-legal, and international*? In which dimensions can the company be most *proactive* in taking steps toward its sustainability goals? In which dimensions are events most likely to necessitate *reactive* steps?

3. In what ways might each group in Starbucks' *task environment*—*competitors, customers, suppliers, strategic*

partners, and regulators—be involved in its sustainability efforts? Be sure to include *competitors* in your answer. List each group in order of its importance to Starbucks' sustainability efforts; explain your ranking.

4. According to Ben Packard, "One of the strengths of Starbucks' culture is treating the people and places where our products come from and are served in a better way. Not delivering on that vision and mission would be a problem in the culture of this company."

Why is the management of its *culture* important to the success of the company's sustainability efforts? In what ways can Starbucks work to ensure that the values reflected in its sustainability commitment are embraced by members of the organization?

Case References

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YOU MAKE THE CALL

Putting Miscommunication in Context

1. Think of the categories of the *task environment*—*competitors, customers, suppliers, strategic partners, regulators*—as groups of people with whom you might need to carry on some form of cross-cultural communication. First, rank the five categories in order of *importance* when it comes to ensuring effective communications. What factors did you consider when ranking the groups in order of importance? Next, rank them in order of *difficulty*. What factors did you consider when ranking them in order of difficulty? How did the issue of *cultural context* affect both of your rankings?

2. In what ways—both positive and negative—might an *organization's culture* reinforce the role of interpersonal and communications norms among its members? Under what circumstances might an organization find it advantageous to adjust the effects of cultural context on communications, both with people inside the organization and with people outside of it? What practical steps might an organization take to adjust the effects of cultural context on its communications practices?

3. Log on to the front page of Facebook—the one intended for Americans. Look it over and then log on to

(Continued)

Building Effective Interpersonal Skills

Exercise Overview

Interpersonal skills refer to the ability to communicate with, understand, and motivate individuals and groups. Because they may prove especially important in situations involving

issues of ethics and social responsibility, we'll use this exercise to help you apply interpersonal skills to a situation in which you're called upon to make an ethical decision.

Exercise Background

You're a department manager in a large retail store, and your work group has had a brush with allegations of sexual harassment. Specifically, one of your female employees reported that a male colleague was in the habit of telling off-color jokes and making mildly suggestive comments. When you asked the accused employee about the charges, he didn't deny them but rather attributed them to a misunderstanding.

You passed along the allegations to the HR department, which suspended the male employee, with pay, pending an investigation. When the process was completed, the HR manager who interviewed both parties and other employees concluded that the male employee should be placed on six months' probation. Any further substantiated charges during this period would be cause for immediate dismissal.

HR's decision was based on the following factors: (1) The employee had worked in the store for over 10 years, with a good performance record and without any previous problems. (2) The female who made the charges believed that he was guilty of general insensitivity and hadn't targeted her directly. (3) She didn't think that his behaviors were sufficient to warrant dismissal but simply wanted him to stop them.

Tomorrow will be the accused employee's first day back at work since the HR decision was handed down. You're satisfied with the ruling, but you're a bit worried about potential tension in your work group. You intend to meet with the female today and the male tomorrow morning and try to head off as much tension as possible.

Exercise Task

In preparing for these two meetings, do the following:

1. Jot down some general notes for your conversation with the male employee.
2. Jot down some general notes for your conversation with the female employee.
3. Make sure that you have a handle on the ethical issues in this situation. Precisely what are they?
4. Consider the options of having the two employees work closely together or keeping them separated. Which would you choose? Why?

Skill-Building Personal Assessment

Instructions: Read each of the following statements. Select the three statements that best reflect your feelings and beliefs about corporate social responsibility.

1. ☐ I think businesses should voluntarily contribute a percentage of their annual profits to social causes.
2. ☐ Any time a business is asked to contribute to a social cause the manager should do so.
3. ☐ Businesses should never do more than they have to in contributing to social causes.
4. ☐ If a manager can cut corners on pollution control to earn more profits she or he should do so.
5. ☐ There is nothing wrong with bending the rules to earn more profits if no one will be hurt.
6. ☐ All business profits should be distributed to owners or reinvested for future growth.
7. ☐ Managers and business owners should try to support local social programs whenever asked.
8. ☐ Business owners and managers should make contributions to social programs a normal part of their operations.
9. ☐ In the United States you are innocent until proven guilty, so any business accused of unethical conduct should claim innocence.
10. ☐ In terms of social responsibility, managers should always avoid unethical or illegal decisions but are obligated to do nothing more.
11. ☐ If I owned a business and a local charity asked for a contribution I would be inclined to donate.
12. ☐ If I owned a business I would set aside a certain percentage of my annual profits to support social causes.