

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Humanities



Bachelor Thesis

**Issues in Business Ethics and Corporate Social
Responsibility:
Starbucks Case Study.**

Kuzanova Alina

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Alina Kuzanova

Economics Policy and Administration
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Thesis title

Business Ethics and Corporate Social Responsibility: Starbucks Case Study

Objectives of thesis

The thesis will investigate issues of Corporate Social Responsibility through a case study of the Starbucks Company. In response to traditional ideas that the main or only responsibility of business is to produce profit for their shareholders, many contemporary approaches stress that ethical business involves broader responsibilities, often described in terms of 'corporate social responsibility', or responsibilities towards 'stakeholders' such as customers and communities. On the other hand, many argue that this misses the point of business, and that such ethical issues are better tackled by other groups within society.

The thesis will present and investigate debates about the role and place of Corporate Social Responsibility in society, and analyse the policy of a large multinational company, in order to both understand how such policies are implemented and make recommendations for improvement.

Methodology

Develop literature review considering issues of business ethics and corporate social responsibility.

Case study analysis of Starbucks' corporate social responsibility programme.

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CARROLL, Archie B. and Kareem M. SHABANA. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews* 12(1):85-105.

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FREDERICK, Robert. (2008). *A Companion to Business Ethics*. London: Wiley-Blackwell

HARRISON, Mike. (2005). *An Introduction to Business and Management Ethics*, Palgrave MacMillan

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The Bachelor Thesis Supervisor

Daniel Rosenhaft Swain, Ph.D., MA

Supervising department

Department of Humanities

Electronic approval: 26. 2. 2021

prof. PhDr. Michal Lošťák, Ph.D.

Head of department

Electronic approval: 1. 3. 2021

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 14. 03. 2021

Declaration

I declare that I have worked on my bachelor thesis titled "Issues in Business Ethics and Corporate Social Responsibility: Starbucks Case Study" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 15.03.2021

____Alina Kuzanova_____

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Issues in Business Ethics and Corporate Social Responsibility: Starbucks Case Study.

Abstract

This bachelor thesis investigates the issue of the importance of business ethics and corporate social responsibility in modern philosophy of the business. The relevance of this work is determined by the fact of the growing interest in business ethics itself and the increasing role of the business in society.

The thesis focuses on the disclosure of the meaning of the concept of social responsibility in modern business, as well as the concept of business ethics, the relationship between these two concepts, consideration of the main controversial issues related to social responsibility, as well as the application of this principle in practice: showing how the CSR is working in Starbucks.

In the theoretical part the definition of business ethics, corporate social responsibility and relevant issues in corporate management and corporate social policy are investigated. In addition, the Carroll model and triple profit are explained to show the importance of both accountability and sustainability in corporate economic, social and environmental indicators in assessing company performance.

Then, the business ethics and corporate social responsibility is examined in the case study of Starbucks corporation.

Keywords: Corporate Social Responsibility, Business Ethics, Sustainable Development, Socially Responsible Behavior, Starbucks, Corporate Culture.

Problémy podnikatelské etiky a společenské odpovědnosti podniku: Případová studie Starbucks

Abstrakt

Tato bakalářská práce zkoumá význam podnikatelské etiky a sociální odpovědnosti podniků v moderní filozofii podnikání. Aktuálnost této práce je dána skutečností rostoucího zájmu o samotnou podnikatelskou etiku a rostoucí role podnikání ve společnosti.

Práce se zaměřuje na odhalení významu koncepce společenské odpovědnosti v moderním podnikání, a koncepci podnikatelské etiky, vztahu mezi těmito dvěma pojmy, zvážení hlavních sporných otázek souvisejících se společenskou odpovědností, jakož i aplikace tohoto principu v praxi: demonstrace toho, jak Společenská odpovědnost firem funguje v Starbucks.

V teoretické části je zkoumána definice podnikatelské etiky, společenské odpovědnosti podniků a relevantních otázek v podnikovém managementu a podnikové sociální politiky. Kromě toho je vysvětlen Carrollův model a trojnásobný zisk, které ukazují důležitost odpovědnosti a udržitelnosti v podnikových ekonomických, sociálních a environmentálních ukazatelích při hodnocení činnosti podniku společností.

Dále v případové studii společnosti Starbucks je zkoumána etika podnikání a sociální odpovědnost podniků.

Klíčová slova: Společenská odpovědnost podniku, Etika podnikání, Udržitelný rozvoj, Společensky odpovědné chování, Starbucks, Firemní kultura.

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1 Introduction

In the light of new technologies, the changing role of the state and the entry of new players on the world stage, new opportunities, requirements and restrictions are emerging. That is why, under the influence of the market and society, the role and responsibility of business is rapidly increasing. And while the goal of making a profit in business is repetition of clear, people no longer see it as an excuse to ignore norms, values, and standards of behavior. Over the past decades, governments, international institutions, transnational organizations, trade unions, and civil society have engaged in a dialogue about business responsibility. New standards and procedures are being formed in the world, and business expectations are emerging. Businesses around the world create and implement business ethics programs to address legal, ethical, and environmental issues. Such enterprises not only meet the needs of their employees, shareholders, and communities, but also contribute to the economic well-being of their countries. In this regard, over the past twenty years, the problems of business ethics have increasingly attracted the attention of researchers, managers and public figures. Ethical assessment and reputation today play an important role in concluding transactions, selecting business partners, applying regulatory sanctions, etc. A relatively new principle of modern business ethics is the principle of social responsibility. Social responsibility of business is beginning to be actively and successfully implemented all over the world.

The concept of social responsibility in the business context means that the firm/company operates to achieve its financial goals and also helps society. The idea is that businesses should combine profitable activities with activities that benefit society. Thus, according to the Babyshev (*Journal of Economics and Social Sciences* №11, 2017, p.9), a responsible business that operates CSR takes into account the interests of society and cares about the impact it makes towards local communities, employees and other groups of stakeholders, as well as on the environment.

The concept of "corporate social responsibility" was formed in the 1980s, combining disparate standards in various areas of corporate governance related to employee relations policy, corporate ethics, approaches to environmental protection, etc.

2 Objectives and Methodology

2.1 Objectives

The thesis will investigate issues of Corporate Social Responsibility through a case study of the Starbucks Company. In response to traditional ideas that the main or only responsibility of business is to produce profit for their shareholders, many contemporary approaches stress that ethical business involves broader responsibilities, often described in terms of ‘corporate social responsibility’, or responsibilities towards ‘stakeholders’ such as customers and communities. On the other hand, many argue that this misses the point of business, and that such ethical issues are better tackled by other groups within society.

The thesis will present and investigate debates about the role and place of Corporate Social Responsibility in society, and analyse the policy of a large multinational company, in order to both understand how such policies are implemented and make recommendations for improvement.

2.2 Methodology

Develop literature review considering issues of business ethics and corporate social responsibility, focusing in particular on questions of a corporate social responsibility and the importance of it in the culture of the company.

Examination of the impact of corporate social responsibility on the society and environment, as well as on financial achievements of the business that values this part of business ethics.

The analysis is conducted on the case study of Starbucks’ corporate social responsibility programme. For the investigation, official data from Starbucks’ sources was compared with secondary data of polls and more than 12,300 of employee reviews. Data is taken from Comparably and Indeed web platforms, which provide rankings and employee reviews of organizations.

3 Literature Review

3.1 Corporate Social Responsibility

In the modern economic environment, one of the key factors contributing to the growth of the investment attractiveness of a business and its competitiveness, as well as the loyalty of society and the state, is the socially responsible behavior of an enterprise.

Recently, more and more attention has been paid to corporate social responsibility issues, both in society and in the business environment. This is no coincidence, since the social component is becoming more important for both society and organizations.

So, in recent years, enterprises have begun to actively declare the formation of new social strategies, the main goal of which is not only to increase profits, but also to develop certain approaches to interaction with society, partners, and the state.

The introduction of the principles of corporate social responsibility in the daily activities of enterprises is due to the following circumstances. First, by implementing social programs, business seeks to rehabilitate itself in the eyes of society, reduce social tensions, while hoping to improve its image, strengthen the reputation of brands and, naturally, increase profits. Thus, social responsibility is a tool to reduce the non-financial risks of a company, increase competitiveness, and also an important factor in bringing together the development priorities of corporations, society and the state.

This concept is rooted far in the history of mankind, but the issue of corporate responsibility began to develop actively in the 50s of the XX century. The foundation of modern understanding is based on the teachings of G. Bowen (2013), R. Owen, G. Ford, R. Coase and other authors, but it was the teaching of Howard Bowen that became the “primary” in its further development. In his book *The Social Responsibility of a Businessman*, Bowen noted the need to include a number of social issues in the sphere of business responsibility.

Subsequently, the intensive economic development of countries, the strengthening of market relations and, in general, the growth of the influence of business on society led to an increase in interest in the responsibility of business and its role in the social and economic life of society.

Nowadays, CSR can be interpreted in a narrow and broad sense. In a narrow, classical sense, social responsibility has for the purpose of carrying out such activities that primarily lead to an increase in their profits, observing the laws and the company code, but at the same

time holding the opinion that the development of society threatens competition, economic freedom and undermines the foundations of a market economy (Friedman, 1970, p.32; Henderson, 2001, p.18). And it was the American economist G. Bowen (2013, p.6) who laid a deeper and broader foundation for understanding CSR, arguing that the duty of businessmen is to implement such a policy, make such decisions or follow the line of behavior that would be desirable from the standpoint of goals and values of society.

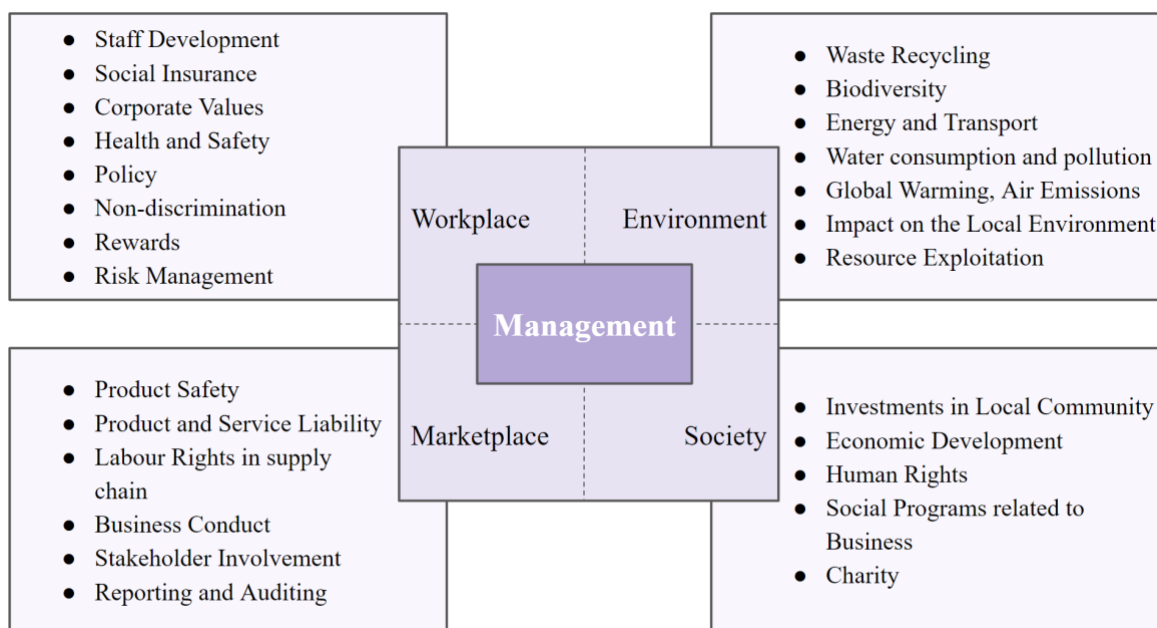
Thus, responsibility in itself is the duty and readiness of the subject to be responsible for the actions, deeds and their consequences. The subject can be either a person or a certain group of actors, including a business unit. Consequently, the responsibility of a corporation as a subject of economic, political, social activity implies taking into account certain expectations of the surrounding social environment and awareness of its duty to society, taking into account the prevailing social norms, values, laws, as well as the ability to participate in the life of society in the scale of its activity and its influence ... This is where the concept of "corporate social responsibility" emerges.

Corporate social responsibility can be formulated as a way of organizing such activities, through which the company adheres to the principles of business ethics, and its activities extend beyond the current regulation to social, environmental and economic spheres.

3.1.1 Corporate Social Policy

Corporate social policy can manifest itself both within its organization and outside it (Fig. 1).

Figure 1 Relevant Issues of Corporate Management and Corporate Social Policy



Source: Made by Author

Thus, internal corporate social policy implies the development of the company's social capital. This is possible only by strengthening ties between all employees - both managers and subordinates. Examples are: training and professional development of employees, the formation of a corporate culture, labor motivation schemes, the attraction and support of young people, the provision of social benefits, voluntary medical insurance, housing loans, non-state pensions, material assistance, assistance to veterans, the creation of conditions for recreation and leisure.

In turn, external corporate social policy is a policy pursued in the field of the company's activities. Programs include activities for the economic consumption of natural resources, prevention of environmental pollution, provision of environmentally friendly transportation, greening of territories, environmental audit, participation in the financing of large-scale investments initiated by the government in religious, medical, sports, cultural facilities, maintenance of socially significant research, support for vulnerable groups, etc.

It should also be noted that there is still no single definite definition of the term and it is actively developing. Thus, the interpretation of socially responsible behavior is also interpreted by the concepts of corporate citizenship, sustainable development, stakeholders and business ethics, which have a broad theoretical and practical basis.

3.2 Business Ethics

The CSR model is presented as a system of "responsibilities" of the company, which outstripped the signs of socially responsible actions. A factor contributing to socially responsible behavior is the moment of expectation of interested parties (stakeholders), whose relationships and actions determine the existence and success of the company. The basis of the processes of formation of a socially responsible company is business ethics as a way of applying ethical norms in specific economic situations. Accordingly, the legitimacy of the interests of stakeholders defines the code of ethics as a set of moral principles, moral norms and rules of conduct for one person or group of persons based on the observance of norms and principles shared by society. The need to take into account the ethical aspects of the company's activities is caused by the problems of ecology, trust, confidentiality, generated by new technologies and the development of society.

Business ethics contains more than just the rules of daily behavior of employees between themselves and management, it is a broader connection of communication between organizations, enterprises, in terms of local, regional and global scale.

However, there is no clear ethical rule for all companies and organizations in the world, because the norm of ethical or unethical behavior changes through the prism of socio-cultural or national factors in business practice. However, the process of globalization is increasingly reducing business to developing certain standards of business ethics.

Nowadays there are several options for considering business ethics.

The international view, or the so-called "hypernorm". First of all, it is built on the humane heritage of mankind: the ideas of goodness, justice, gender equality, etc. Certain well-defined norms have been enshrined in the Principles of International Business, a code whose birth can be attributed to representatives of leading companies and business coaches from the United States, Western Europe, and Japan, who in 1994 wrote a roadmap for anyone who wants to build their business for better development. humanity.

The rules are engraved in the specified document, containing the generalized character. In particular, they cover the following tasks for business:

Figure 2 World Standards of Business Ethics

| | |
|---|---|
| Promoting freedom of multilateral trade | Social responsibility of the organization (creation of public goods, jobs, improvement of living standards, customers, employees and shareholders, as well as the general population) |
| Recognition of the supremacy of ethical norms: some agreements permitted by law may be morally unacceptable | Respect for the environment |
| Modernization of technologies, production methods, marketing and communications | Refusal of illegal actions: bribery, money laundering, sale of weapons to terrorists, drug trafficking |
| Increasing trust in business | Respect for legal norms and ensuring equal opportunities in competition |

Source: Made by Author

2. Macro level - rules regulated within the industry or national economy. Ethical norms of this level are also binding as the previous "level of civilization", but unlike the latter have a different scale. National codes of business ethics are being created for this level. These may include orders on: respect for private property, the struggle for the market, the veracity of information, non-discrimination against employees, etc.

3. Micro level - norms that apply within the enterprise. They define, for example: trust and lack of resentment between employees, honesty and responsibility towards suppliers, customers, partners, etc.

As we see that, ethical norms are established at different levels. They are in the including all relationships between business companies and the economic system of society, regulating relations in business.

In the context of globalization, global ethical standards of doing business are of great importance. They facilitate the cooperation and interaction of companies involved in international relations. However, at the national level, the main regulator of business ethics are the norms of business culture adopted in a particular country.

Each organization also has its own rules of business ethics, which are based on managers in the management process. The task of teaching ethics of behavior and decision-making ethics, of course, is difficult, as the employee comes to the organization with its already established system of values. However, given that his actions in the work environment are determined only by his personal moral principles, it becomes obvious that the regulation of behavior is quite possible.

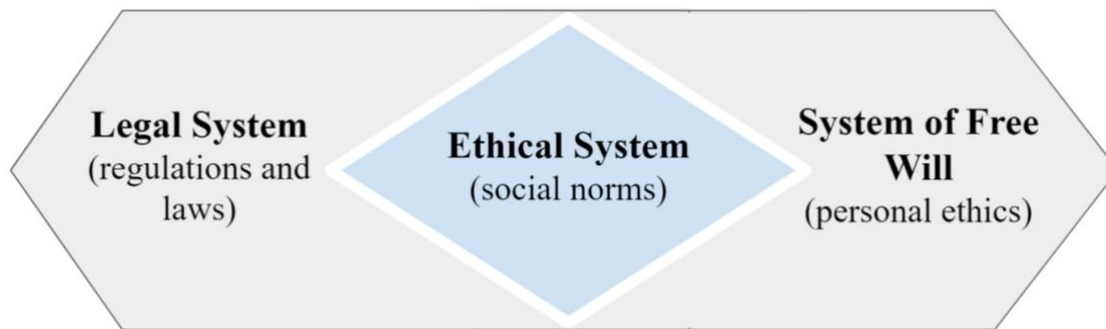
The actions of the employee of the organization are determined by three systems of norms (Fig. 4):

1) a system of legal norms, which are enshrined in writing in the legislation and are supported by the judicial system of the state;

2) moral principles and value system of the employee, which are not enshrined in any documents and are only in his mind;

3) a system of ethical norms of the organization, i.e. social norms based on the principles and values shared by employees.

Figure 3 Basic Systems of Norms



Source: Made by Author

As can be seen from the figure, the system of ethical norms is between legal and personal norms. This means that, on the one hand, it is based on the legal system, but, on the other hand, gives a person some freedom of choice in situations that are not provided by strict rules. Business ethics sets its own standards, i.e. determines the legal and moral acceptability of the behavior of employees of the organization.

3.3 Corporate Social Responsibility Models

3.3.1 Carroll Model

Many authors have made significant contributions to the development of the concept of corporate social responsibility. Among them were such scientists as S. Seti, W. Frederick, K. Davis, J. McGuire, R. Blomstrom and others. But it was precisely A. Carroll's approach (1991, p. 283) that was able to combine in a logical integrity the concepts of predecessors, and also identified economic issues in the field of CSR. According to his teaching, social responsibility can be divided into four categories: the economic, legal, ethical and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time ”.

Figure 4 Carroll's Pyramid for Corporate Responsibility



Source: Made by Author

According to this theory, social responsibility is so important to a business that its performance directly affects the financial outcomes of the company. So, the more visible positive influence comes from the implementation of social activities, the more trust, loyalty and support the society has towards this organization.

However, A. Carroll's approach was criticized against defining philanthropy as a separate category of social responsibility. According to this opinion, philanthropic responsibility could be more grounded in ethical or economic responsibility, since charity itself is usually based on an ethical aspect or has economic motivation. In 2003, the "Carroll Pyramid" took the form of a model that shows the interaction of the economic, legal and ethical aspects of responsibility. (Schwartz and Carroll, 2003, p.503)

3.3.2 Triple Bottom Line

A similar approach was developed by the American economist John Elkington in 1994, but with significant differences. According to his concept of the triple criterion, any business is based on the three "pillars of sustainable development" - profit, society and the environment. For this reason, business leaders must analyze not only financial performance, but also social and environmental performance. In this case, the columns of responsibility

should be separated, and the assessment of each is also carried out separately. And the goal of any company is to achieve sustainable results in all three areas.

Sustainability in terms of economics and ethics rather means maintaining a long-term balance. According to the development of the concept of the triple criterion, a balance in all three directions can be achieved in this way:

Economic sustainability can be achieved by moving from the desire for short-term profits, which are rather volatile and often disastrous, to stable long-term results. In accordance with this model, any company is responsible for creating such business plans that will not lead to a fictitious get rich quick and will avoid catastrophic losses.

For example, corporations are trying to avoid liability for environmental pollution, thereby leading the company to increase profits in the short term by saving on disposal costs. However, in the future there is a significant risk that in the future this will lead to catastrophic economic consequences (not counting the affected environment). This leads to the conclusion that concern for corporate sustainability from a financial point of view is an argument against dumping.

Social sustainability is aimed at balancing the opportunities and living conditions of any member of society. Despite the greater level of freedom and generally accepted values, the imbalance in society is increasing - the rich are getting richer and the poor are getting poorer. From this, the chances of public outrage, right up to revolutions, of which there are many in human history, are growing. This does not necessarily mean that a revolution is bound to happen soon, but it does indicate that in order for a business to be stable in the long term, it is necessary to distribute opportunities and subsequently wealth to reach as many people as possible.

One example of this principle of shared opportunity and wealth is the fair trade movement developed in Europe in the second half of the 20th century. According to this idea, participants in trading activities, especially international ones, must guarantee equal rights and decent trading conditions, reasonable payments for their goods and services of producers and workers, both in developed and developing countries. The main argument in support of the fair trade movement is that world peace and order depend on the allocation of the world's resources in such a way as to limit envy, resentment and anger.

In terms of **environmental sustainability**, resource conservation is the most important issue. The main resources that mankind is now actively consuming are limited:

drinking water, clean air, oil and other natural resources. Our main goal should be to preserve and improve the quality of life for future generations.

In this aspect, it is important that corporations are obliged to this point, not because of a state-prescribed law that must be followed, but because it is the conscious duty of every inhabitant of the planet to maintain its suitability for life. It is important here to develop alternative energy sources and use renewable resources, limit emissions from factories, cars, as well as consumer goods, and recycle and clean up existing pollution.

It is also important to note the criticism of the concept for its practical implementation. This is especially true for accounting, since many costs and indicators are difficult to calculate in the short term and therefore there is strong resistance to the need to include them in the calculations. It is also very difficult to implement the fact that there are no general derived standards at the state level, although different variations of implementation have already been proposed by international organizations that can be used on a voluntary basis.

3.4 CSR and Strategic Management

3.4.1 Stakeholder Theory

Stakeholder theory originates from the contractual theory of the firm, in which the firm is viewed as a set of relationships, approved in the form of contracts, between employees - managers and owners. According to this predecessor theory, the owner of the firm has a priority right to satisfaction of needs as compensation for the high risks that lie with them. At the same time, control costs are designed to satisfy other employees in the hierarchy and smooth out possible conflicts of interest: for example, managers are usually interested in current sales and profits, and owners are interested in future cash flows, employees are focused on increasing wages without additional efforts, and owners - for more productive work of employees.

R. E. Freeman in his work "Strategic management: the concept of stakeholders" (2011, p.57) formulated a new model of the firm with the involvement of a larger number of economic agents (stakeholders) in the activities of this firm. According to Freeman, stakeholders (2010, p.45) are understood as any participants that influence the achievement of the company's goals, regardless of whether they are associated with this company in a material and financial, that is, measurable, relationship or not. According to this definition,

almost all subjects, groups and institutions that somehow interact with the organization fall into the category of stakeholders. There may also be certain relationships between stakeholders, which are not always cooperative in nature, but may be competitive. However, the totality of all stakeholders can be viewed as a single whole, the resultant interests of whose parts will determine the trajectory of the organization's evolution.

Thus, the theory of interested parties considers any organization as a network of interconnected elements, each of which contributes (voluntarily or involuntarily) to the results of the activities of this organization and expects one or another benefit (or the absence of uncompensated damage) (Conti.2003; Donaldson 1995) the firm has relationships with a large number of groups and individuals that make up its environment - both internal and external - that influence or can influence the decisions taken by the company, and the interests of stakeholders potentially have the right to be taken into account and satisfied.

3.4.2 Corporate Citizenship

The relevance of the idea of corporate citizenship objectively increased in the 1980s – 1990s. due to changes in the global business environment. First of all, the crisis of the "welfare state" demonstrated the inability of nation states to effectively resolve the entire set of society's problems and, accordingly, increased the importance of alternative mechanisms, including direct participation of business, especially large international companies, in relevant programs. Corporations, in turn, having achieved economic power comparable to the power of national states, became able not only to claim certain rights, but also to play the role of guarantors of the observance of citizens' rights. In particular, as C. Marsden emphasizes, even in "developed, traditionally well-regulated systems ... governments are showing an ever-decreasing ability to generate the income necessary for the sustainability of the social security system, and are increasingly focused on supporting companies". (Marsden, 2000, p.11)

In addition, as Marsden argues (2000, p. 13) “*in developing countries, multinational companies face even more acute citizenship problems - whether it is direct investment or product outsourcing*”. Indeed, globalization has led to a significant complication of the system of expectations of stakeholders for international companies and, as a result, to the need to develop specific approaches to implementing CSR in specific regional and national conditions.

Among the authors who have shaped the modern vision of the concept of corporate citizenship are researchers from specialized centers of business schools of leading universities in Great Britain: H. Wilmott, A. Crane, C. Marsden, D. Matten, J. Moon, N. Munshi, W. Chapple and P. Edwards; USA: S. Waddock, D. Wood, C. Davenport, J. Longsdon and O. Ferrell; The Netherlands: I. Maignan; Switzerland: A. Scherer and G. Palazzo.

As N. Munshi (2015, p.154) rightly notes, "*the concept of corporate citizenship, which has become extremely popular in the business community and beyond, developed from the original idea of corporate social responsibility (CSR)*".

Historically, according to the logic of D. Matten, A. Crane and V. Chapple, two dominant approaches to the concept of corporate citizenship can be distinguished. First, there is a "narrow-minded" approach that reduces corporate citizenship to corporate philanthropy, social investment, or community responsibility. Secondly, the "equivalent" approach, considering the development of the concept of corporate citizenship as a kind of rebranding of CSR in all its theoretical diversity.

Altogether, despite its many advantages, the concept of corporate citizenship has one fundamental drawback - the metaphoric nature of the original term itself, which by definition does not imply a clear and unambiguous correlation with the corresponding political science and other theories. This deficiency, in turn, gives rise to a number of intractable theoretical problems.

3.4.3 CSR and Company's Value

In the context of stakeholder theory, the requirements for the corporate governance system were born, within which the problems of interaction between shareholders, managers and investors, and the concept of corporate social responsibility (CSR), which contains the solution of the problems of interaction between business and society, were created.

This theory proclaims the achievement of such organizational excellence in which proportionate satisfaction of the interests of stakeholders leads to the maximization of the company's value, which is the modern strategic goal of business.

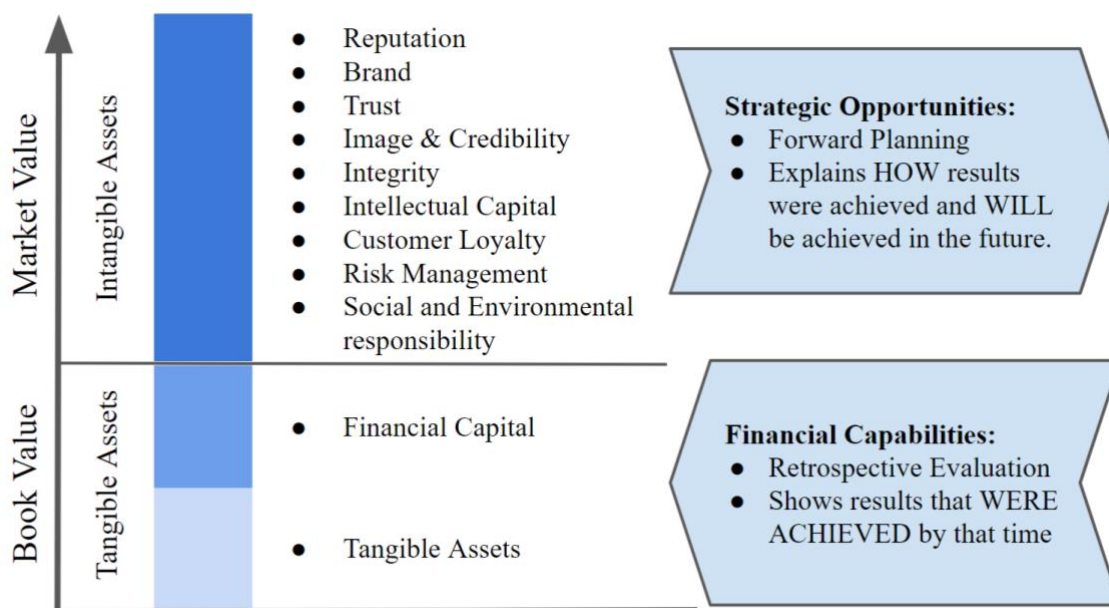
Taking into account the interests of stakeholders, despite an increase in obvious costs and a possible decrease in accounting profit, leads to minimization of the risks of future conflicts, an increase in income received, a reduction in implicit costs and an increase in economic profit, which contributes to the growth of the company's value for shareholders.

In other words, the management of the firm's value in the context of stakeholder theory makes it possible to most fully ensure the welfare of the owners of the organization along with meeting the legitimate needs of other business participants.

Forward-thinking companies recognize the importance of this issue and seek to maximize opportunities to improve their market position. To achieve this, companies first determine the key factors affecting the formation of the company's value and associated with corporate social responsibility, and then - increase the efficiency of activities in this area. At the same time, they improve the effectiveness of their interaction with third parties on these issues, informing them of what work they have done in the past and what actions they intend to take in the future. Then they invite independent parties to evaluate the results of fulfilling their promises.

According to Orlitsky (2008), several factors can be identified that influence the performance of companies and help focus efforts on performance management and the provision of non-financial information (Figure 3).

Figure 5 Role of CSR in Corporate Strategy Planning



Source: Made by Author

Market expectations. Previously, the value of a company depended on the amount of financial capital and physical assets. Over time, it turned out that these two indicators are not enough to adequately assess the business and bring information about its value to the public. Increasing importance is attached to the place in creating real market value for

elements such as reputation, brand, trust, reliability, intellectual capital, consumer confidence, risk management, social responsibility and environmental protection, and other intangible “non-financial” characteristics.

Management of risks. As the speed of information exchange and the expectations of stakeholders towards “corporate citizens” grows, the number of potential business risks that can negatively affect the company's success also increases. Including in the field of corporate social responsibility, there are many risk factors that need to be predicted. Therefore, for the company it is imperative that a strategy for CSR is important, including that identifying risks and correct management, avoiding a negative impact on the company's activities.

Recruitment and retention of staff. With the decline in the working-age population, nurturing a company's intellectual capital and retaining human talent is becoming vital in any firm's business strategy. However, for companies that do not appreciate the importance of corporate social responsibility nowadays, it is becoming more difficult to attract highly educated employees, as young professionals increasingly pay attention to the reputation of companies in the field of corporate citizenship. Such employees want to be confident in the integrity of their employer, in the fact that they, the employee, are seen as a valuable resource and are ready to invest in its development. At the same time, companies with a bad reputation are more likely to exploit their employees in an effort to get the maximum benefit in the short term until they are fired.

Brands. The brand plays a very important role in determining the value of the company. It takes a lot of investment and time to build and can be destroyed by a single incident of inappropriate business behavior.

4 Practical Part

4.1 Company's Overview

4.1.1 Starbucks Background

According to the official website of the company, Starbucks was originally established as a high quality coffee bean store in 1971 in Seattle, Washington by three friends (Starbucks Company Timeline). None of them even thought about building a business empire. They founded Starbucks for one reason: they loved coffee and wanted Seattle to have access to the finest beers.

The reason for this initiative was that at that time the quality of coffee on sale in the US market was low. Most of the coffee consumed was the cheap, inferior Robusta. In order to make a profit, even real whole-grain coffee is diluted with cheap coffee beans. Large coffee brands have sacrificed taste for competition.

Starbucks opened not out of a desire to conquer the world market, but out of a love for quality coffee. So, the grocery store of the first store consisted of thirty varieties of home-roasted whole-grain coffee. What's more, Starbucks' difference from other stores was the degree of roasting: while other manufacturers preferred light roasting, since the weight of the goods was better preserved and such sales were more profitable, Starbucks owners were not concerned with profit, but with taste. Starbucks roasted their daughter's coffee because they firmly believed that dark roasting brought out the full flavor of coffee. This fact set them apart from everyone else. The founders of Starbucks themselves said that for them the main indicator of success is not the size of the customer base, but the quality and purity of coffee, and they prefer more a handful of fine tasting customers that the masses.

Another feature of the store was the tradition of communicating with customers and sharing knowledge about good coffee. This atmosphere was sympathetic to the customers and thanks to word of mouth, the store quickly became famous.

Howard Schultz, who later became the owner of the company, was also obsessed with Starbucks' values. He told the owners, *"You are the owners of this treasure. It is worth treating any person from any city and he will immediately fall in love with your coffee. You can open hundreds of new stores and grow Starbucks nationwide"*. But the then management did not consider it necessary to expand and even more so - to change the concept and

activities of the brand, they adhered to the idea that Starbucks should remain unchanged - a store that sells coffee beans.

Howard Schultz, becoming an employee of the company with the goal of immersing himself in the whole work process and learning coffee entrepreneurship, insisted that Starbucks should develop a coffee culture in America that could potentially become a big fan of it. Schultz promoted the idea of Italian coffee houses, where the design, friendly and outgoing staff who know their customers by name, and a varied menu of coffee drinks create the atmosphere of the perfect coffee house that could conquer Americans. Thus, Schultz went over a lot from Italians to popularize coffee among Americans: a variety of coffee drinks that were previously unknown to the average American (mostly only espresso went on sale), better ways to roast beans and brew handmade coffee than in electric coffee makers, service methods and customer acquisition.

The result was the birth of the modern Starbucks on August 18, 1987 - the one we know today (Starbucks Company Timeline). Starbucks has become both a store, and a coffee shop. This idea was his hallmark. It was a new type of coffee shop, more than a shop, but not a restaurant yet.

The symbol of the restaurant, behind one of the most common versions, was a character named Starbucks from the book "Moby Dick, or White Whale," the work of Herman Melville, assistant to Captain Ahab. The logo was a stylized image of a mythological siren - a creature in the form of a half-woman, half-fish, capable of luring sailors with its charming appearance and beautiful voice. A logo was last updated in 2011 (Starbucks Stories & News, December 23, 2016). The CEO explained the change: "We let the siren go out of the circle, and that, I think, will give us more freedom and flexibility to see a little more than coffee."

Figure 6 The Company's Symbol Evolution



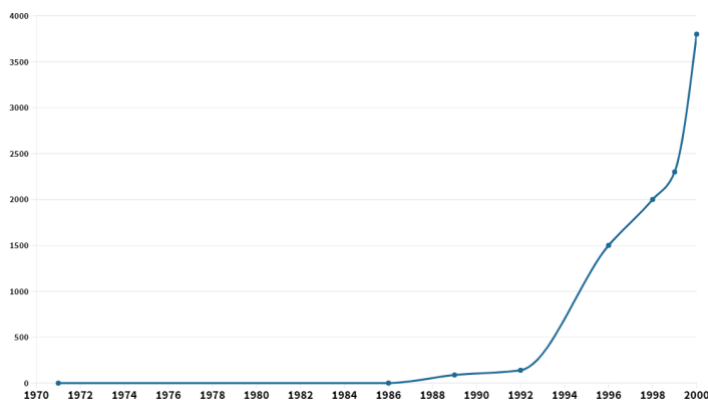
Source: The Medium

4.1.2 Expansion to new market

Starbucks primarily went to markets where there were more postal customers. They are highly educated, wealthy, travel a lot, and are interested in culture and art. An audience that was perfect for expansion.

By the end of 1994 (Nasdaq, 2020), Starbucks had made a blistering dash across many cities in the United States. Expansion proceeded effortlessly, with a seamless growth engine that worked so well that eventually Starbucks opened a coffee shop every business day, holding that pace until the early 2000s.

Figure 7 Amount of Starbucks Locations Worldwide 1971 - 2000



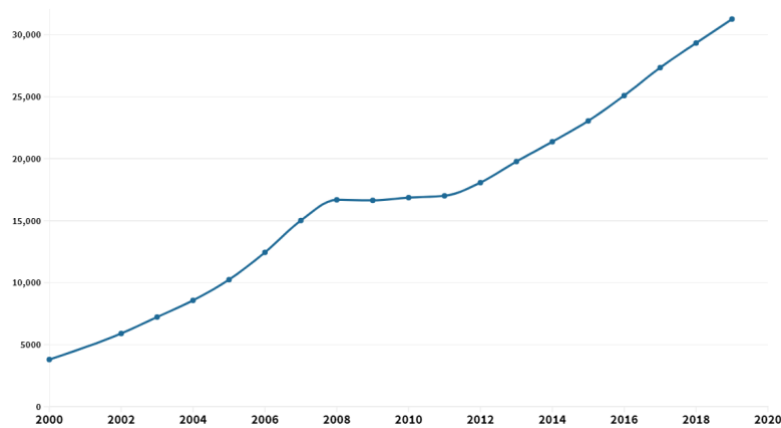
Source: Statista

The first Starbucks outlet outside North America opened in 1996 in Tokyo, Japan. In 1998, Starbucks entered the UK market, opening 56 outlets at once (The Seattle Times, 1996).

In September 2002, Mexico City became the location for the first store on the Latin American continent (Voice of America, 2009). Today, there are already 250 points in Mexico, of which about a hundred are in Mexico City itself.

In 2008, the company continued its expansion, opening points in Argentina, Belgium, Brazil, Bulgaria, the Czech Republic and Portugal. Expansion to European and Scandinavian countries continued in 2009. In April, points appeared in Poland, in August - in Utrecht (Netherlands) and in October in Sweden at Stockholm-Arlanda airport.

Figure 8 Amount of Starbucks Locations Worldwide 2000 - 2020



Source: Statista

As of June 2019, Starbucks has in total 30,000 stores across 80 markets. Below on the Figure 9 countries with the biggest popularity of Starbucks can be seen. The United States takes the leading position having almost six-times higher score than in any other country of the world. That fact nicely illustrates how meaningful its brand is for American culture.

Figure 9 Number of Starbucks Stores Worldwide



Source: Knoema

4.1.3 Company's products and Services diversity

The first Starbucks cafe from 1971 to 1976 was occupied only by the sale of coffee beans, which the company bought green from farmers and roasted on its own. So, with the success of the store, by 1981, the company opened 4 more points, a small coffee roasting company and also a separate division which was engaged in the supply of coffee beans to establishments.

The first case that led Starbucks to realize that it was in its best interest to follow trends in coffee consumption, as well as its ability to be an industry leader, occurred in the 1980s, when the US coffee market began to transform. Overall coffee sales began to decline while interest in special offerings began to rise. At the same time, Howard Schultz, then the head of marketing, made an inspiring trip to Italy, the capital of coffee, where he became acquainted with a variety of coffee techniques and recipes. From there, Schultz brought back a latte recipe, which was accepted by American coffee lovers with a bang. At first, the management resisted changes and did not accept offers, but the pivot coffee house quickly gained popularity and began to expand during the first year of launching, while the store was experiencing financial difficulties due to a sharp decline in whole grain sales in the entire US market. Then, the store was completely transferred to the management of Schultz, and Starbucks became both a store and a coffee house. So, by 1986, the company had six stores in Seattle, where they started selling espresso coffee.

Starbucks made coffee a cult, and even began releasing a catalog of its products, thanks to which it established supplies to 33 stores in different states of the United States. In addition, over time, the list of products has expanded to everything that is only related to coffee. The company differs in that it does everything on its own - roasting coffee, branded mugs and other utensils, branded rings on a glass so that you can carry hot coffee calmly, as well as the production of bottled water, juices and tea, for which Starbucks acquired companies-producers of these goods. For example, Starbucks entered the tea business in 1999, when demand for it began to skyrocket and the company expanded its product line to match customer preferences, acquiring for \$8.1 million. USA brand Tazo and developed its own line of teas known as Teavana.

The company also offers a menu - from salads to pastries. Its content has changed with the course of nutritional trends. For example, in June 2009, the company decided to exclude ingredients containing a high proportion of sugar and artificial origin. For example, the company expected to attract buyers who care about their health, but did not change the

pricing policy and did not plan to make a profit. To that end, in 2013, Starbucks began recording calorie counts for drinks and baked goods in all American stores.

What is more, Starbucks experimented with low-alcohol beverages such as a beer and wine in several hundred of its stores in the United States, as well as featuring food as part of its “Evenings” program. According to Forbes, this experiment did not work well with the company's brand and shifting the “Evenings” program to its high end Roastery stores might be a better strategy rather than serving alcohol in its regular coffee shops. The reason is that these Roastery stores have focused on improving the coffee experience and targeting high-end customers.

One of the distinctive features that Starbucks buyers love very much is the music playlists. With this in mind, the company has also launched its own collection of jazz hits and is selling them on an exclusive disc. And though coffee shops do not usually sell discs, in fact the number of sales exceeded three times expectations and amounted to 75,000 discs.

Starbucks has also experimented a lot with an exclusive, signature coffee list. For example, in 2012, Starbucks began selling the Starbucks Refresher line of ice-cold fresheners in its stores containing green Arabica coffee bean extract. The extraction process for green coffee at Starbucks includes a stage of swelling the beans in water, making these drinks a strong flavor, but the disadvantage was the lack of any coffee aroma, which made the drink amenable to criticism.

Starbucks also pioneered instant coffee, launching a stick called VIA “Ready Brew” with all the characteristics of their signature roasted coffee beans. On the one hand, this generated a strong wave of interest in the product, as most of those who tried it did not find any difference from the freshly brewed coffee, but also led to negative reviews with the main emphasis that “Starbucks devalued its own brand by introducing instant coffee.”

In summary, as can be seen, Starbucks is constantly looking for new products associated with the coffee to connect them with its brand, the company improves its own technologies and implements innovations in the operational process in order to achieve superiority in the whole coffee market.

4.2 Business Ethics and Compliance

4.2.1 Mission of the Company

Today, the coffee shop is not just about drinking the coffee that is so common in every person living in a metropolis or small town. The cafe is becoming more like a "small" home, where it is always comfortable to spend an hour or two talking with friends or friendly staff. You take coffee on your way to work in the morning or stay in this space to work if you are an online freelancer. Urban trends and demand are in a constant change - the rate of coffee consumption among the urban population is gradually increasing, based on this, companies are building a clear mission.

However, this attitude towards coffee shops and coffee in general has become so important not in itself, but under the influence of large marketing machines and a number of important developments in the development of business philosophy.

Starbucks is a great example of this. Since its inception, Starbucks has aimed to change the gray days of Americans with new colors. Howard Shultz, former CEO of Starbucks, in his book about Starbucks culture "*In Pour Your Heart Into It: How Starbucks Built a Company One Cup at a Time*", said that: "Some people deliberately postpone their business to go to our shop to buy morning coffee. We have complemented modern American pop culture with our advanced siren symbol, and it is no longer uncommon to see our symbol among TV series and movies. We brought new words in the early 90's to the average American citizen along with it - new rituals. At list some of our regular customers make Starbucks coffee shops as a second peaceful and comfortable home, where you can have a cup of coffee with friends as a continuation of the morning."

According to the official website, this is the main motto of Starbucks:

"To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time".

This motto should be broken down into parts. The main emphasis is on two components - the action and the recipient to whom the action is directed. Action "*to inspire and nurture the human spirit*", according to its sound, aims to inspire, worry, and encourage new accomplishments. Here, Starbucks does not focus only on the client, but says "*human*", referring to any participant in the relationship - employee, client, community, etc.

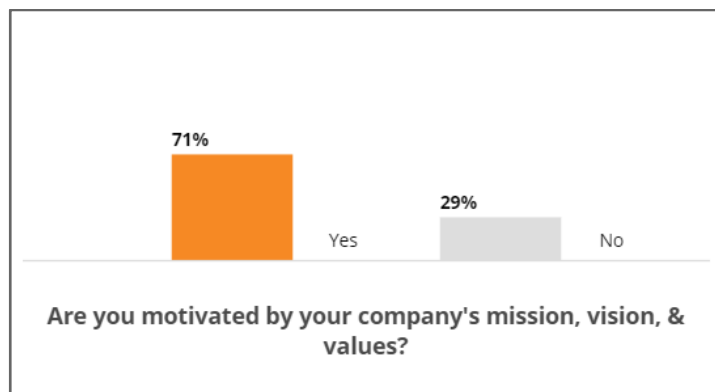
The second part of the statement - "*one person, one cup and one neighborhood at a time*" - describes the strategic goal, closing the mission in a cycle. From inspiration of "one

person” through “one cup” of coffee to another person with another cup, and so further through every “neighborhood” until the whole world is inspired. It is clear that to achieve such an ambitious goal, you need to use the best tools - only high quality, the warmest service, the best impressions - will help.

The company strives to always be on the move, on a journey with its visitor. Grab-and-go coffee culture goes well with such relationships. Employees, customers, suppliers - from a business unit grow into partners, comrades ‘by idea and values’. Each participant in this relationship becomes a value and feels needed. The corporate culture is built as inclusive for every person associated with the company to connect with it in an outstanding way.

According to Comparably surveys, 71% of Starbucks employees are motivated by corporate mission, vision and values (see Figure 10).

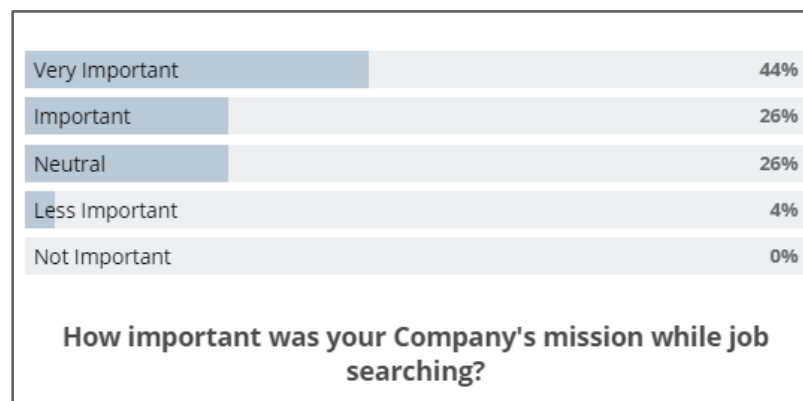
Figure 10 Level of motivation by company’s culture



Source: Comparably.com

For 70% of the total respondents company’s mission was important while job searching, that means that most part of Starbucks’ employees really value its culture. And in its turn, Starbucks really works on the quality of partners’ experience to achieve their expectations.

Figure 11 How important was company’s mission for workers



Source: Comparably.com

Thus, the mission clearly highlights its purpose to share a sense of community through every store operated and every person - shareholder - who is involved in the process.

4.2.2 Vision of the company

Starbucks has saved its original corporate vision of its first creators, who put quality of coffee first place. Official vision statement of the company states that it is “*to establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow*”. Here, Starbucks declares its strategic goal of leadership in providing its products of the highest quality as well as the strategic goal of superiority in the global market.

However, the question of coffee quality is heatedly disputed around the media. For two decades well-known magazines were raising a question if Starbucks' approach of making a coffee really worth it (NBC News, 2007; The New York Times, 2008; The Seattle Times, 2010; Time 2010). Some felt strongly about roasting coffee beans dark - the method Starbucks had preferred - arguing that it mostly destroys the flavor of coffee rather than deepening it, as Starbucks assures (The New York Times, 2008). After the issue in 2007 when Consumer Reports, an organisation dedicated to product testing, strongly criticized company's coffee describing it as *over-roasted* and *burnt* and ranked it lower than McDonald's coffee, Starbucks reconsidered its standards shifting from “*quantity to quality*” (The Atlantic, 2010). This response resulted in slow-down of the service, violating one of the principles of high speed maintenance, but certainly improved the taste (Insider, 2018).

The overall vision is stated clearly and inspiringly, and is stable in the long-term perspective as terms that are built on can be applicable in any of future business scenarios, despite one observation. The corporate vision statement lacks ‘space’ for new business operations and the gap can impact negatively already now. For instance, it cannot describe the plan, or vision, for development of other products offered throughout the stores - tea beverages, pastries and other consumer goods - as they are already a part of the company's marketing mix.

Therefore, there is space to grow and develop in the framework of established corporate vision. Anyhow, the fact of the company's high popularity all around the world and its continuing expansion it can be stated that the company has some unprecedented achievements while pursuing its corporate vision.

4.2.3 Values

Starbucks attaches great importance to the corporate culture and believes that ethical manner of conducting business can lead to success. Compliance of business ethics is viable for supporting the corporate mission and vision. Together with corporate values, it helps to protect the reputation of the company and make a strong foundation for supporting corporate culture itself.

According to the Starbucks Business Ethics and Compliance guidelines, Starbucks emphasizes four core values which will be disclosed further. Firstly, in the introduction to the description Starbucks mentions three elements that, according to their words, are “*at our core and live our values with us*”, referring to the *partners*, i.e. stakeholders (farmers who supply coffee beans, shareholders and of course - workers, and others), *coffee* itself and *customers*. Thus, it clearly states the importance of everyone engaged in their activity and empowers them to be involved.

- *Creating a culture of warmth and belonging, where everyone is welcome.* Here, Starbucks says that it values inclusion, equity and diversity. Everyone can become a part of their culture. Everyone can fulfil themselves. The company is seriously concerned with this social issue and even developed a culture of inclusion with a set of special programs to help and support different groups of minorities (see Starbucks Stories & News, 2020).
- *Acting with courage, challenging the status quo and finding new ways to grow our company and each other.* Historically Starbucks experiments, while looking for new ways to grow, and innovates across all levels of operations. This value is rooted in the company. Also, it is imprinted in the mission, stating the purpose to “*nurture the human spirit*”. Essentially, The company has always challenged the status quo, and now, while chinese cuisine and culture expands in the west, Starbucks rapidly expands in Asia. From the statistics on Figure 9 it can be seen that China and South Korea already take the second and the third place respectively by the number of stores.
- *Being present, connecting with transparency, dignity and respect.* This is quite an interesting point because it perfectly merges one of the most important features of the business ethics itself. It connects ethics and accountability through transparency, social dignity and respect. The company states to “*be present*” - means to be aware

about every area of influence, either social or environmental issues etc. For instance, the company has set a strategy for 2030 to achieve sustainability. This and more will be disclosed in the next chapter about Corporate Social Responsibility.

- *Delivering our best in all we do, holding ourselves accountable for results.* That is a common issue in fast growing companies when with this speeding up quality and some specific features of the company may deteriorate. And it is a really courageous decision for executives who admit the mistake and step back to the point where operations work well. In 2007, Starbucks faced such an issue, when customers' experience - the thing Starbucks was working on so hard - got worse because of the rapid expansion. Instead of closing their eyes and growing further, Howard Shultz closed 7 thousands of stores for a three-hour retraining session for the staff aiming to improve coffee making quality, and reintroduced the sights, smells, and design elements that had once defined the brand. This is not the only one case in Starbucks history, and every time the company gives a worthy response.

The value statement company concludes with the phrase: *“We are performance driven through the lense of humanity – from our commitment to the highest quality coffee in the world to the way we engage with our customers and communities to do business responsibly”*. Here, Starbucks highlights how the company does care about human-beings who actually are the drivers of the corporation and the reason for it to exist. This statement sounds extremely human-centric and reflects a triple bottom line that is based on the pillars of economic as well as social and environmental sustainability.

Further, mission, vision and values statements will be explored on the cases of integrating them through corporate social responsibility strategy and related activities.

4.3 Corporate Social Responsibility

Starbucks promotes itself as an ethical brand in every corner of the world it serves. Starbucks is of the opinion that every store is a part of the local community, and as a conscious citizen, particularly corporate citizen, understands its responsibility to be truly a good neighbor. According to the moto from Mission Statement (Starbucks Shared Planet):

“Every store is part of a community, and we take our responsibility to be good neighbors seriously. We want to be invited in wherever we do business. We can be a force for positive action — bringing together our partners, customers, and the community to

contribute every day. Now we see that our responsibility — and our potential for good — is even larger. The world is looking to Starbucks to set the new standard, yet again. We will lead.”

Usually, with the growth of big companies and manufacturing the harm to the environment as well as local communities increases proportionately. To prevent such outcome of its expansion and still be trustworthy, Starbucks sets an important principle - to be accountable about what they do and rather than just decrease the amount of harm, to force a positive contribution on the daily basis. Thus, the company clearly understands its capability to build a sustainable business, that solves its own issues and reduces social issues around. Also, the company’s desire to make a positive impact fits the mission statement *to inspire*. When the business poses itself as not a machine of making profit, but when its product is made with ongoing efforts of supporting the natural resources of the planet, helping communities from underdeveloped countries, promoting conscious consumption - this product has a bigger value, as well as sense.

Social responsibility is actually a part of their corporate strategy, so the company directs its resources on development of various social service schemes for the communities (i.e., neighborhoods), as well as sustainability initiatives for supporting the environment and their farmers. Main directions of its social responsibility activities are described further.

The last report on social impact progress was published as of 2019. As we already mentioned, Starbucks poses itself as an accountable and transparent ethical brand, so the reports it provides are conducted in a comparative and analytical way, presenting both past social impact goals from recent years and achievements the company has reached during this period.

4.3.1 Create Opportunities

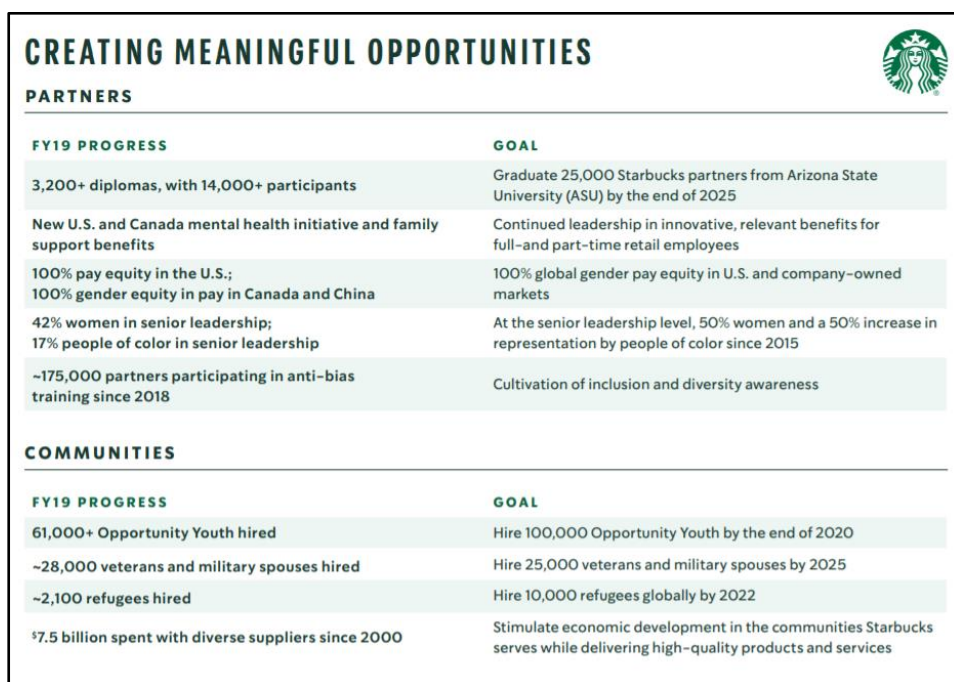
Worth to mention again, for Starbucks every employee is a partner. There are almost 350 thousand employees all around the world without whose efforts the customer experience that clients love so much would not be complete. So, Starbucks understands that its success depends on the people who are working on their goals.

According to 2019 Starbucks Global Social Impact Report, for partners the company strives to *create meaningful opportunities by investing in their health, well-being, and overall success, all while working to advance a culture of equity and inclusion*. Starbucks cultivates a more inclusive and collaborative workplace, where every partner feels a sense

of belonging. Starbucks builds its culture as a highly engaged, high-performing, and diverse workforce at all levels. And it means ensuring equal opportunity, pay equity, and proactive workplace resolutions.

Starbucks has dozens of programs aimed at creating opportunities for partners. Target groups of their activities are young people, minorities, veterans, people with disabilities as well as their families. The company actively cultivates equity, inclusion and diversity internally in the company and in communities they live in. Some of the recent goals and their progress can be seen from the Figure below.

Figure 12 Social Impact Progress on Creating Opportunities



Source: 2019 Starbucks Global Social Impact Scorecard

Among others, there are goals to graduate 25 thousands of Starbucks partners, helping complete their education online, covering 100% fees; 100% global gender pay equity, increase number of women and increase in representation by people of color at the senior leadership level. Starbucks helps partners who may experience barriers to employment - refugees, veterans and youth, as well as investing in low- to medium-income communities.

From the figure below, recent progress can be seen. Three out of five goals of creating opportunities for partners are already achieved and are kept in constant progress. For communities, as of 2019, two out of four goals were already overfulfilled, one - more

than 50% completed, and one one that was planned to complete by 2022 was already done by one fifth.

4.3.2 Sustainable Coffee

Our success is linked to the success of the farmers and suppliers who grow and produce our products. (Starbucks)

From the very beginning and the first company’s CSR report published in 2002, Starbucks recognized its commitment to using sourced coffee ethically. From that time 99% of high-quality sustainably grown coffee that is ethically sourced (Starbucks, 2020 Feb 28). As a part of the Coffee and Farmer Equity (C.A.F.E.) Practices, Starbucks actively and consistently *supports coffee farming communities, mitigates the impact of climate change, and supports long-term crop stability and farm sustainability (Starbucks Stories & News, 2015)*, while conducting special research in coffee research institutes and creating global network of farmer support centers around the world, providing financial support for the farmers and their families, and at the same time staying transparent and accountable (Starbucks Stories & News, 2020).

Figure 13 *Social Impact Progress on Sustainable Coffee*

| COFFEE & TEA | |
|---|---|
| FY19 PROGRESS | GOAL |
| 99% ethically sourced coffee | 100% ethically sourced coffee |
| 40 million trees distributed since 2015 | Provide 100 million coffee trees to farmers by 2025 |
| 99% ethically sourced tea ¹ | 100% ethically sourced tea |
| 160,000+ farmers trained | Train 200,000 farmers by the end of 2020 |
| ^{\$} 46 million invested in farmer loans; ^{\$} 20 million in FY19 emergency relief funds | Invest ^{\$} 50 million in farmer loans by the end of 2020 |
| 66,000+ women impacted | Empower at least 250,000 women and families in coffee, tea and cocoa growing communities globally by 2025 |

Source: 2019 Starbucks Global Social Impact Scorecard

4.3.3 Greener Retail

In January of 2020, Starbucks announced a multi-decade aspiration to be a resource-positive company, giving more than it takes from the planet (Starbucks Stories & News, January 21, 2020). The announcement included five environmental strategies the company plans to fully implement by 2030:

1. Expanding a more environmentally friendly, plant-based menu.
2. To shift from single-use to reusable packaging.

3. Investing in cutting-edge, regenerative agricultural practices, planting of trees and saving forests, as well as in water replenishment in the supply chain.
4. To ensure more reuse, recycling and elimination of food waste.
5. Developing more eco-friendly stores, operations, manufacturing and delivery.

Starbucks annually presents results on the path to zero-waste while making attempts in reducing its carbon footprint, water consumption and waste from stores and operations. The goal is to reduce its footprint by 50% by 2030.

The company invests in building solar and wind farms to reduce the amount of energy it uses. For now, Starbucks already provides 360 stores across the state with alternative energy and plans to increase the capacity three times (Starbuck Stories & News, January 21, 2020). Up to 2025, the company also plans to operate up to 10,000 green stores. It has a special department that investigates ways to design eco-conscious buildings and operations.

Starbucks replaces plastic and other materials with more eco friendly alternatives: sustainable packages - recyclable cups, cup sleeves with less paper and more post-consumer fiber, paper straws instead of plastic ones, etc.

Given that the issue of reducing the ecological footprint is tough and complex, Starbucks attempts are worth nothing at achieving this and honest acknowledgments of causing significant harm to the environment. By this publicly open activity, Starbucks shows its concerns about how ethically they perform and strives to deserve the trust as the corporation that values moral principles.

4.3.4 Strengthening Communities

Starbucks actively cooperates with local communities and non-profit organizations. In collaboration or on its own, Starbucks launches various models for interacting with different groups of people in order to solve social issues or build on strengths.

There are practices that are new and just on the stage of development and implementation, as well as those that have already rooted in the corporate culture. For example, every year it has a Global Month of Service, when Starbucks partners are volunteering in their neighborhoods, thereby completing dozens of projects. The program launches worldwide and helps the local community meet their specific needs.

Starbucks collaborates with such organizations as Feeding America and their network partners in order to address the hunger issue. Launched in 2016, FoodShare program

is directed to provide nourishing food to homeless and poor people. For this, Starbucks provides unsold food from more than 8,000 stores, while '*rescuing it*' at the same time.

Starbucks also opens stores which are operated by military families and deaf people stores. It has already tested an innovative community service model - The Starbucks Foundation Service Fellows program, where store partners 20 hours from their working time spend on serving the community and local nonprofit.

Starbucks also invests in communities a lot: helping them to relief after natural disasters, providing grants and opportunities, generating donations for nonprofit organizations.

4.3.5 Covid-19 Response

Crisis moments may even help to enhance some of the measures, including cleaning and sanitizing protocols. During the pandemic, the business industry was affected seriously and faced great financial loss. As fast business made a wise response to the following restrictions, as less it was negatively influenced by new rules.

According to Indeed research on Covid response by organisations, 70% of respondents agree that Starbucks responded quickly to the COVID-19 outbreak. The emergency management of the company prepared a number of actions to protect their customers and partners, following recommended guidelines of local public health authorities: mandatory facial coverings and social distancing, closed restrooms to the public and seating unavailable, also taking care about the workers taking their temperature daily, equipping with everything they need to protect themselves. In addition, Starbucks took the responsibility of health payments for partners who have been diagnosed with Covid-19

Also, Starbucks developed extra steps to reduce the number of touchpoints between customers and partners. For stores located in the European and Middle East region the company operated a 'to-go service model', where 100% takeaway, Drive-Thru or delivery via contactless payment only are available. Stores also provided free mental health and childcare programs to support their partners.

Starbucks launched Global Partner Emergency Relief Fund initiative with a \$10 million primary fund aiming at supporting their partners who find themselves facing financial hardship.

Starbucks supports healthcare workers providing them with free of charge service and products from the menu. Starbucks donates a lot in Global Relief Fund, who fights against Covid consequences, as well as financially supports coffee- and tea-growing communities in Indonesia, Colombia, Guatemala, India and Ethiopia.

From the other side of their efforts, taking into consideration Indeed research on Covid response at Starbucks mentioned above, some of the indicators raise doubts about the ethical nature of their actions.

Among almost 12,500 respondents on the question “*Can you take paid sick days during COVID-19?*” 33% of them still answered negatively. Also, it is discovered that the management at Starbucks does not support working from home, and people are still expected to work from the office. There are several complaints about Starbucks' response to the Covid-19 outbreak, in particular some of the employees shared the opinion that after isolation the company tried to return to normal business too fast despite the pandemic only getting worse. The company forced their employees to follow their directive taken away the hazard pay and other support measures. While the pandemic was still ongoing, Starbucks stores opened lobbies and bathrooms and added more cleaning tasks while cutting coverage so the store had to do everything they did before and more with fewer people. Employees were under intense stress and still under the risk of being infected.

Certainly, the economics of Starbucks was seriously affected and it will take time to recover, but the fact of such a not so thoughtful step, that endangers thousands of lives in the tough time has to be highly criticized. Still, this question needs deeper examination.

5 Results and Discussion

Considering the corporate culture of Starbucks according to the Carroll model, we can conclude that the company meets every level of the pyramid. It is successful in economic framework, and has an image of a law abiding company, as no big scandals occurred during the period of their operation. In addition, the corporation found itself as an influential player in society, implementing and developing business ethics standards and corporate culture. Besides these ethical norms that are universally accepted, Starbucks shifts to the level of an organization who makes positive contributions to society and the environment more than it takes. Despite it being announced not so far, the company has already made steps toward this attitude. Thus, the company can be positioned as a philanthropic organisation that strives to be a good corporate citizen and contribute resources to the world.

Considering from the point of view of the triple bottom line, we can conclude that economics and ethics work nicely together. Enhancing the commitment to society and nature, corresponding to the increase in the financial performance of the organization, is critical. Rather than chase after the short-term profit, the better strategy for the business entity to grow slowly, but steadily going to long term results, aiming for sustainable development. After recognizing the importance of such a decision, many problems associated with business operations are revealed, since in order to achieve this some social or environmental problems must be solved or prevented. Thus, corporate social responsibility as a set of small, diverse projects grows into sustainable goals with a vision years beyond. In summary, with the growth of the company - so do the obligations - Starbucks understands this.

The first two guiding principles of Starbucks' mission speak of caring for partners:

- Create a great place to work and treat each other with respect and dignity.
- Accept diversity as an integral part of our way of doing business.

So, it is a human oriented mission statement - not only customers, but every person (stakeholder) involved in the business process: employees, customers, suppliers, community, etc. In addition, Starbucks has established a culture of collaboration, dignity, equity, and inclusion, in which everyone feels they belong and are welcome.

In the vision statement, Starbucks declares its strategic goal of leadership in providing its products of the highest quality as well as the strategic goal of superiority in the global market. For this purpose, corporate social responsibility of Starbucks gives them an

upper hand over competitors. Customers as well as employees are driven by the values and principles of the company. For 70% of the respondents who work in Starbucks company's mission was important while job searching, that means that most part of Starbucks' employees really value its culture. And in its turn, Starbucks really works on the quality of partners' experience to achieve their expectations.

At last, Starbucks despite being driven by performance is fueled by humanity. The intense activity on serving the local communities and concern about decreasing their ecological footprint demonstrates true commitment to being a resource positive company.

The only one wick side in corporate ethics compliance occurred during a pandemic period. The company began opening stores while the pandemic was in full swing, thereby putting its employees at risk. In any case, this issue needs deeper examination.

6 Conclusion

The intensive economic development of countries, the strengthening of market relations and, in general, the growth of the influence of business on society led to an increase in interest in the responsibility of business and its role in the social and economic life of society.

Enterprises have begun to actively declare the formation of new social strategies, the main goal of which is not only to increase profits, but also to develop certain approaches to interaction with society, partners, and the state.

Thus, the responsibility of a corporation as a subject of economic, political, social activity implies taking into account certain expectations of the surrounding social environment and awareness of its duty to society, taking into account the prevailing social norms, values, laws, as well as the ability to participate in the life of society in the scale of its activity and its influence.

The case study of Starbucks shows the importance of enhancing the commitment to society and nature, corresponding to the increase in the financial performance of the organization. Starbucks is the example of a company with a modern business ethics approach that shifts to the level of an organization which makes positive contributions to society and the environment more than it takes. Despite it being announced not so far, the company has already made steps toward this attitude. Thus, the company can be positioned as a philanthropic organisation that strives to be a good corporate citizen and contribute resources to the world. The company implements a corporate strategy that simultaneously brings value (financial and reputational) for the business itself as well as in the surrounding community's welfare (social or ecological). Thus, corporate social responsibility emphasizes a commitment to interact ethically on the same level of importance as to make profit.

It is also important to emphasize that corporate social responsibility does deliver long-term results when viewed from a sustainability perspective. Effective corporate social responsibility requires companies to achieve sustainable results in all areas - not only economically, but also in terms of the company's impact on the social sphere, as well as in relation to the environment.

The difficult part of implementing corporate social responsibility for today is accounting, since many costs and indicators are difficult to calculate in the short term and therefore there is strong resistance to the need to include them in the calculations. Still, in

the case of Starbucks, the company found a way of being transparent and accountable, preparing annual reports of their social impact progress with quantitative and qualitative measurements, as well as partnering with financial advisors, such as Deloitte, who provide independent accountants' reports for the company's sustainability projects.

Also, it is very difficult to implement the fact that there are no general derived standards at the state level, although different variations of implementation have already been proposed by international organizations that can be used on a voluntary basis.

At last, the investigation has shown the contradiction of ethics compliance in emergent situations. During the Covid-19 pandemic, it was reviewed some negative cases of Starbucks behaviour towards employees. The company began opening stores while the Covid widespread was in full swing, thereby putting its employees at risk. In any case, this issue needs deeper examination.

Summarizing up, the corporate social responsibility needs continuing investigation and development, especially in the legal and regulatory framework. All in all, the business plays vital role in social development and new ethical values need to be expanded for discussion.

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