

Hannah Yonas

Global Corporate Responsibility and Accountability

Joseph Drexler

30 May 2021

Starbucks: The Golden Standard?

As a world of coffee lovers, it is no surprise that Starbucks' wide array of crafted coffees and mix of sweet and savory snacks has become a staple in America and other high-income countries alike. Founded in 1971, the company has since soared to the top of the coffee-to-go food chain. With competitors like Dunkin' Donuts, Starbucks champions its specialty coffees, exported from countries like Ethiopia and Colombia, as a selling point to consumers. Alongside food and beverages, the giant also has a collection of mugs, reusable cups, and other merchandise to promote the brand. It's 32,660 locations worldwide prove its competence as a global company, but amidst the rise of globalization, there is no question that diversification of the supply chain as a means of keeping up production has made this possible. As controversies surrounding the exploitation of communities, labor, and the environment by large multinational corporations become more prominent, the international governance community and civil society have banded together to create a number of guidelines and ordinances to try to combat this. The U.N Guiding Principles and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises are prime examples of this. This paper will explore and critique Starbucks' approach to

corporate social responsibility (CSR) and sustainability, as well as its level of accountability to its stakeholders.

Starbucks' Approach to CSR and Sustainability

As the concept of CSR grows and evolves over time, many companies have learned the basics: create a CSR policy or risk being dumped by consumers. The era of technology we live in requires that companies be aware of socially conscious consumers, namely Millennials and Gen Z, who can severely damage the reputation of an unethical company. Because of this, many brands have developed a “plan” for CSR (some more robust than others), alongside adopting more ethical policies and standards.

Starbucks is among those brands with a robust stance on CSR. The company's website sports a lengthy document entitled the “Global Environmental & Social Impact Report,” most recently published for Financial Year (FY) 2020. Such a report is vital to a corporation such as this, as coffee is an industry known both for harming developing communities and the environment if not harnessed correctly. Thus, transparency is key in order for the brand to maintain its hold on a loyal consumer base. In this report, Starbucks details steps being taken to improve diversity initiatives among its workforce and executive team, as well as how COVID-19 has impacted the company's operations. There are quite a few feel-good initiatives present in the report, such as providing coffee and food donations to frontline workers, grants to nonprofit organizations and coffee communities, and more (Starbucks, 2021). Corporate responsibility, however, is about more than what amounts to philanthropy. It is the steps taken to ensure that people and

the planet are protected at every step of the supply chain—laborers, suppliers, manufacturers, store employees and the communities in which these operate are more commonly being accepted as the responsibility of major brands. While it may be difficult to monitor such a vast range of moving parts, Starbucks breaks up its initiatives into People, Planet, and Coffee, with “people” referring to its store employees and their communities, and “coffee” referring to the link of the supply chain that is located across the globe and includes both the farm communities as well as the environment.

As for its people, Starbucks’ progress highlights “substantial wage increases... \$100 million investment to support BIPOC [Black, Indigenous, People of Color] neighborhoods... board diversity... [and a] third civil rights assessment” (Starbucks, 2021). These are all steps to improve community relationships with Starbucks, and its commitment to broader diversity in its stores is necessary given that the company employs millions of people. Starbucks has been working to diversify its supplier relationships as well by bringing on suppliers that are majority owned and operated by minorities (Starbucks, 2021). This will in turn increase the development of poor neighborhoods, home to many small businesses that could benefit greatly from partnering with a global giant. In addition to initiatives dedicated to improving the lives of workers and communities, Starbucks also “committed to respect the Women’s Empowerment Principles, Children’s Rights and Business Principles, and Framework Principles on Human Rights and the Environment” (Starbucks, 2021) set forth by the UN, which has major implications for the supply chain down the line. These frameworks are governed by soft laws—essentially, it is up to Starbucks to decide to uphold them.

In regards to the environment, Starbucks summarized its progress and goals: “forest conservation and restoration... win-wins with dairy farmers... oatmilk rolls out nationally... joining the Water Resilience Coalition... South Korea’s Planet Positive Commitments... Cup-Borrowing Programs” (Starbucks, 2021). All of these highlight the impact that the coffee industry has on the planet. Only specific types of land are viable for producing high quality coffee, and the amount of water needed could harm ecosystems as well as local communities that may rely on the water systems being tapped and polluted. The Water Resilience Coalition is posed by the UN as a strategy to preserve freshwater basins and other water sources (Starbucks, 2021)—another soft governance mechanism that is “endorsed” by Starbucks, rather than a legal obligation. Nonetheless, the dedication to better water practices could greatly reduce Starbucks’ impact on hydrologic systems if upheld. South Korea’s Planet Positive Commitments are especially interesting given that South Korea could be considered part of the Global South; thus, Starbucks Coffee Korea planning on “reducing its carbon footprint by 30% and eliminating single-use cups by 2025” (Starbucks, 2021) is unique given the country’s likely poorer infrastructure and weaker governance surrounding environmental protection. Water replenishment and reforestation are the types of bold business model adaptations that the environment needs in order to sustain the industry in the future. Alongside internal changes to business operations that could reduce inputs, these serve as external solutions that corporations can prioritize in the meantime; additionally, global companies like Starbucks often have the revenue to commit to the environment, but may choose not to so as to maintain profit margins. Additionally, one of Starbucks’ biggest environmental issues is its single-use plastic coffee cups. In the report,

Starbucks writes that its goal is to create fully recyclable hot cups by 2022, promote reusable cupware, and to eliminate plastic straws (Starbucks, 2021). While Starbucks currently uses hot cups with a small percentage of recyclable material, a corporation producing millions to billions of cups of coffee per year is likely contributing a large portion to global waste pollution.

Coffee, the branch of Starbucks' CSR policy that combines the other two in the context of the global supply chain, is where accountability could most easily be abandoned. With the supply chain largely operating out of the Global South, where infrastructure and civil society are weaker than in the Global North, Starbucks has an obligation to protect their stakeholders. Some of Starbucks' commitments in this area include: "C.A.F.E. Practice Verification Updates... Doubling the Global Farmer Fund to \$ 100 Million... 23 Million New Coffee Trees in Colombia... New Coffee Goals... New Labor Efforts in Brazil" (Starbucks, 2021). These efforts inspire a cautiously optimistic outlook for the future of the farmers and the land that Starbucks relies on to operate. Firstly, the C.A.F.E program (Coffee And Farmer Equity) is a plan that Starbucks created with the help of outside organizations:

SCS (Scientific Certification Systems) has teamed up with Starbucks and Conservation International to develop the Coffee And Farmer Equity (C.A.F.E.) Practices standard for ensuring that Starbucks is sourcing sustainably grown and processed coffee. Starbucks defines sustainability as an economically viable model that addresses the social and environmental needs of all the participants in the supply chain from farmer to consumer. The C.A.F.E. Practices Generic and Smallholder Scorecards encompass a comprehensive set of more than 200

social, economic and environmental indicators. This approach takes into account everyone from the farmer to the consumer. (SCS Global Services, n.d)

This model is an example of how sustainability can be adapted to a business model.

Creating sustainable economic growth relies on sustaining the people and the planet with which it interacts. Better labor and environmental conditions create more structural opportunities for local farmers to produce better coffee for Starbucks, in turn mitigating risk to its reputation by appealing to a moral consumer base. By investing in its farming communities through the Global Farmer Fund which provides low-interest loans, training 200,000 farmers, and planting more coffee trees in Colombia (Starbucks, 2021), Starbucks has seemingly taken its success and allowed it to saturate its supply chain.

Accountability: Does Starbucks Follow Through?

According to Starbucks' CSR report, the company seems to be doing everything right. Investing in green initiatives, endorsing multiple UN compacts, and sustainably sourcing and improving the lives of its labor force could be the recipe for a successful integration of CSR and economic growth. Multiple smaller initiatives are detailed in the report in addition to those mentioned above. Whether Starbucks follows through on these commitments, or whether it has always been a sustainable brand, is the question that needs to be answered.

Ethical Consumer, an independent, multi-stakeholder website, creates an ethical score guide largely trusted around the world, and particularly in the United Kingdom. Its evaluation of Starbucks found "several ethical issues with Starbucks, including climate change, environmental reporting, habitats & resources, palm oil, arms & military supply,

human rights, workers' rights, supply chain management, irresponsible marketing, animal rights, factory farming, anti-social finance, controversial technologies and political activities” (Ethical Consumer, n.d). Many of these accusations center around a lack of transparency on some claims, and a lack of tight, strict policy language. For example, it notes that “despite a statement that no person under the age of 15 must be employed, it allowed an exemption for family-owned and small-scale businesses. This meant that Starbucks did not have an adequate policy on child labour for its supply chain outside of its C.A.F.E programme” (Ethical Consumer, n.d). This makes it possible for non-C.A.F.E approved supplier farms to exploit child labor. Granted, coffee from non-C.A.F.E approved farms only made up about 1% of Starbucks coffee by 2019, down from 14% in 2011 (Starbucks, 2011).

However, a deeper look into Starbucks’ C.A.F.E program by the Fair World Project found undeniable weaknesses in the top-down program. Modern day slave labor was found on C.A.F.E approved farms in Brazil, by the Brazilian government—not by Starbucks. As history would point out, Brazil has a long standing history of coffee production, and being exploited for that coffee production. According to an article for the Fair World Project titled “Starbucks has a Slave Labor Problem,” Anna Cannings notes that Starbucks avoided calls to commit to buying Fair Trade coffee for too long, with its purchases at a high in 2014 (Canning, 2019). According to “The Problem With Fair Trade Coffee” by Colleen Haight in the Stanford Social Innovation Review, Fair Trade is a model by the Fair Trade Labelling Organization (FLO) that sets minimum price standards for cooperatives of small farming communities to ensure that farmers are not being exploited by a volatile market, so long as they adhere to certain environmental

and labor standards (Haight, 2011). Starbucks' response was to create the C.A.F.E program in its stead, an attempt at easing social responsibility by innovating its own policy for fair purchasing. Cannings writes of Starbucks' avoidance of fair trade that "C.A.F.E. Practices standards have no minimum guaranteed price. While fair trade standards require coffee to be grown by small-scale farmers organized in cooperatives, there is no such requirement for C.A.F.E. Practices. Finally, fair trade standards set the stage for farmer-led community development" (Canning, 2019). Fair trade coffee has its own drawbacks, but the C.A.F.E Program waters it down even further. Despite all of Starbucks' efforts to invest in its coffee growing communities outside of the program, C.A.F.E is simply an auditing system that is not even required more than every two to three years. In that time, numerous violations can occur with time to get swept up before the next audit. Canning's article also notes that farmer profits have not increased with the cost of production for years (Canning, 2019), similarly to how minimum wage has not kept up with the cost of living in America. In 2011, Starbucks was paying \$2.38 per pound of coffee (Starbucks, 2011), but has not since published an updated report. So, while Starbucks has only increased its profits and become a globally dominant coffee company, its farmers have not been reaping the same benefits, as its CSR report may lead one to believe.

This is not to say that fair trade coffee is necessarily a better option for farming communities. According to Haight, Fair Trade can easily become the "ceiling," rather than the floor, noting many farmers abandon Fair Trade contracts in hopes of doing better selling on the market instead—not to mention the fees and bureaucratic barriers placed on farmers with the amount of tracking and paperwork required (Haight, 2011).

Fair Trade as an idea is meant to reduce poverty among the coffee farming industry, but in some cases money is more directly given to farmers without Fair Trade—hence why many coffee corporations choose to find other ways to try to buy sustainable and ethical coffee.

Starbucks has also been known to lag on green initiatives. While its most recent CSR report sets goals for 2021 and 2020, it does not clearly state that some of them have been in place for years, and not met (for example, recyclable cups). The Sierra Club published the article “Starbucks Falls Short on Environmental Commitments” by Davis Harper in 2017. In it, Harper details a resolution written by As You Sow, a nonprofit organization that keeps its eye on corporations:

Starbucks has fallen dramatically short on meeting an ambitious 2008 commitment to make 25 percent of its cups reusable by 2015. What happened? By 2011, the company had only increased its percentage of reusable cups to 1.9 percent and, as a result, reduced its 2015 goal to 5 percent reusables. Even this, apparently, proved unrealistic—Starbucks recently promised to double its *current* usage of reusable cups by 2022, which requires but a jump from 1.4 to 2.8 percent of *all* its cups. (Harper, 2017)

However, according to Starbucks’ 2018 report, less than 2% of beverages were sold in reusable cups in 2018 (Starbucks, 2018). This is indicative of the company, which undoubtedly has the influence needed to push for more sustainable practices, not doing everything it can. Obviously, as only 2% of beverages purchased were using customer’s own reusable cups, it is up to the company to boost its own strategy in regards to creating more environmentally friendly cups while also promoting the use of reusable

cups among consumers (as of right now, Starbucks offers a small discount if a customer uses their own reusable cup). Starbucks' newest report now hopes to "develop 100% compostable and recyclable hot cups by 2022... [and] take action for 100% of plastic packaging to be reusable, recyclable or compostable by 2025" (Starbucks, 2021).

Starbucks did, however, implement the testing of fully compostable/recyclable hot cups in a few of its major city locations with a prototype found through their NextGen Green Cup Challenge (Starbucks, 2018), which will hopefully find success and be promoted to a nationwide initiative, with worldwide implications soon after.

While Starbucks has popular progressive stances on most social and environmental issues, there are standards that the company can work to better. For example, the C.A.F.E program needs to be overhauled. With the Fair World Project and Ethical Consumer's criticisms in mind, the program could be made more effective by firstly clearly stating how much Starbucks pays per pound of coffee—and this should be a living wage, rather than just a market standard. It should require audits every 6 to 12 months, and any farms reported violating the C.A.F.E standard will be removed from Starbucks' list of suppliers (i.e, doing away with the practice of having a contract for a few years that expires). This change would also require Starbucks to hold itself accountable to its commitments to approved farms, with mandatory follow through on supply orders. Starbucks must create supply chain policies that explicitly stop the company from buying from any suppliers that engage in certain activity without any loopholes, as with its child labor policy. To take this a step further, Starbucks should invest in farmer cooperatives who are in charge of their own development, similarly to

the Fair Trade model. This is a way of making long-term improvements to communities in the interest of shared value.

Alongside these potential changes, Starbucks must not abandon its promises to not only cause less harm to, but to actually better the environment. Replanting trees and finding alternative coffee processing methods to save water are an ambitious and optimistic place to start. Truly dedicating time and effort to the push for sustainable cupware is likely going to be the key to economic growth as well, as this is one of its more publicized and consumer-accessible approaches to reducing Starbucks' environmental impact.

It would be easy to say that Starbucks' stances on environmental and social issues are positive, or that it poises them above their competitors. The rising popularity, and necessity, of CSR in corporate practice among consumers may be the only reason for this, but it is a reason worth listening to. Starbucks donates money for neighborhood development, invests money into farming communities and trains workers, and creates challenges with a quirk that appeals to young people to help innovate greener cups. However, like any other company, Starbucks could be doing more to sustain its commitments. As it gained its success by first needing to save spending on labor and supply throughout its chain, it is now needing to level its success with the consequences for its reputation and the planet. In January of 2020, Starbucks CEO Kevin Johnson made a statement committing to sustainability, detailing bold but necessary multi-decade plans to increase Starbucks' position as a resource-positive company (Starbucks, 2020). It is yet to be seen if Starbucks can or will maintain this momentum,

and be a force for positive change for farm communities and ecosystems around the world.

Works Cited

Canning, Anna. "Starbucks Has a Slave Labor Problem." Fair World Project, June 19, 2019.

<https://fairworldproject.org/starbucks-has-a-slave-labor-problem/#:~:text=In%20the%20fall%20of%202018,stretched%20from%206AM%20to%2011PM>.

Ethical Consumer. "How Ethical Is Starbucks Corporation?" Ethical Consumer, n.d..

<https://www.ethicalconsumer.org/company-profile/starbucks-corporation>.

Haight, Colleen. "The Problem With Fair Trade Coffee." Stanford Social Innovation Review. Stanford Center on Philanthropy and Civil Society, 2011.

https://ssir.org/articles/entry/the_problem_with_fair_trade_coffee.

Harper, Davis. "Starbucks Falls Short on Environmental Commitments." Sierra. Sierra Club, November 21, 2017.

<https://www.sierraclub.org/sierra/starbucks-falls-short-environmental-commitments>.

Starbucks. "2020 Global Environmental and Social Impact Report." Starbucks Stories & News. Starbucks Corporation, 2021.

<https://stories.starbucks.com/uploads/2021/04/Starbucks-2020-Global-Environmental-and-Social-Impact-Report.pdf>.

Starbucks. "A Message from Starbucks CEO Kevin Johnson: Starbucks New

Sustainability Commitment." Starbucks Stories & News. Starbucks Corporation, January 21, 2020.

<https://stories.starbucks.com/stories/2020/message-from-starbucks-ceo-kevin-johnson-starbucks-new-sustainability-commitment/>.

———. “2018 Global Social Impact Report.” Starbucks Stories & News. Starbucks Corporation, 2018.

<https://stories.starbucks.com/uploads/2019/08/2018-Global-Social-Impact-Report.pdf>.

———. “Coffee Purchasing.” Starbucks. Starbucks Corporation, 2011.

<https://www.starbucks.com/responsibility/global-report/ethical-sourcing/coffee-purchasing>.