

## Chapter 14

# The Starbucks Culture: Responsible, Radical Innovation in an Irresponsible, Incremental World

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### ABSTRACT

*Bombarded with reports of immoral corporate performances, many have become convinced that ethical companies are history. CEOs, facing narrow performance windows, often feel pressured to adopt a hit-and-run mentality, thereby contaminating their entire corporate culture. Yet, there are companies that continue to outperform their competitors and redefine their industries, while simultaneously following a strict moral compass. One such company is the Starbucks Corporation, entailing 18,000 stores worldwide, of which approximately 13,000 are in North America. Starbucks directly supervises 5,500 coffeehouses in 61 countries. After a successful expansion into China, Starbucks is now moving into India. Nonetheless, the coffee giant continues to make the list of the world's most ethical companies for good reasons. This case reviews Starbucks's internal and external culture, examining its partner treatment, environmental awareness, farmer support, stakeholder inclusion, and other revolutionary strategies, in hopes to have these elements serve as focus points for current and future leaders.*

DOI: 10.4018/978-1-4666-7476-9.ch014

## **ONE COMPANY, SO MANY DIFFERENCES**

### **The Coffee Operation**

Coffee is big business and has been so for quite some time in human history. In fact, oil is the only trading commodity that tops coffee worldwide (Ruzich, 2008). “Various estimates as to how many people depend on the growing of coffee for their livelihood range from 20 to 125 million” (Ruzich, p. 431). Whereas the above perspective may present coffee as one of the top global products, other notions classify this product in an entirely different light. Rindova and Fombrun (2001), for instance, refer to the coffee industry as a declining one, and compliment The Starbucks Corporation for its ability to still induce new demand at price points that are unmatched in the beverage industry. The way Starbucks did this, explain Rindova and Fombrun, is by redefining coffee as a beverage, and restructuring the locations in which it was consumed.

Ravasi, Rindova, and Dalpiaz (2012) also applaud Starbucks, but do so for its clever use of cultural resources in establishing their industry as such a successful one. These authors define cultural resources broadly as a blend of concepts, symbols, narratives and other forms of cultural expressions that exist in a society. Cultural knowledge is critical in this process, as it helps companies understand which cultural meanings and associations fit well with their products. Starbucks’ coffee bar is a great example of a retail format that works for the US society. Adopted from the Italian model, it took Starbucks an entire decade to mix and match different local cultural resources before the current successful model was developed (Ravasi et al, 2012). Understanding the importance of proper and effective utilization of space, Starbucks attracted the services of an anthropologist to get to the current, highly popular store design (Clark, 2007).

When dealing with such a critical and highly desired product within the global human community, it is pretty easy to fall into the trap of focusing only on increasing returns and neglecting any compassion-based maneuvers. Yet, Starbucks has managed to keep its socially responsible eyes wide open: even more so since 2009 than in the decade before. The results are starting to become visible: in 2012 the Starbucks Corporation made it to the 73<sup>rd</sup> place on Fortune’s list of the 100 Best Companies to Work For, up from 98 in 2011. Unfortunately, Starbucks’ ranking dropped again on this list in 2013 to 94, and the company’s name was prominently absent in the 2014 list. As prime reason for the 2012 ranking was listed, “The company’s massive part-time workforce [...] gets full health insurance benefits, stock awards - and free coffee” (*100 Best Companies...*). Perhaps Starbucks can mostly pride itself in the consistency of this factor: the company has always stood out when it came to just this particular provision for its employees: benefits even for those who are not in full-time service. One of the ways this is confirmed is in a 2004 article by Serwer and Bonamici, who state, “Starbucks is an unusual company. It strives to mix capitalism with social responsibility. It gives all its employees who work more than 20 hours a week stock options and health-care benefits” (p. 60). Indeed, Starbucks seems to be one of the leading corporations that invest tireless efforts in adhering to a performance strategy that is purposeful. Internal and external stakeholders are considered equally important: employees are treated with proper dignity and are granted career opportunities within the company, while the company’s impact to the community is carefully scrutinized as well (Outram 2014).

### **Differentiation and Innovation in a Highly Competitive Market**

It is not easy to start pointing out the many ways in which the Starbucks Company differentiates

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