Starbucks’ mission to build a “world class company with a conscience” drives all aspects of the organization—from its supply chain to hiring practices—always with the intent of making Starbucks a socially responsible company. This approach to business has successfully associated Starbucks with sustainable and inclusive business activities, and inspired socially conscious consumers to choose Starbucks over its competitors. The company’s domestic community investments focus on developing economically depressed communities and helping disadvantaged youth.

YouthBuild USA, a nonprofit organization that provides pathways to skill development resources, education, and mentorship to at-risk youth, has partnered with Starbucks to cocreate a Customer Service Excellence Training Program (CSET). This is offered to young people at training centers within participating local programs to help them develop retail and customer service skills. CSET has successfully created a talent pipeline of entry-level barista, food service, and customer service positions. Effectively scaling the program continues to be a goal for both organizations.

COMPANY OVERVIEW

Starbucks Corporation opened its first store in 1971 and is now one of the largest specialty coffee companies in the world. Headquartered in Seattle, Washington, the company has over 24,000 retail establishments in 70 countries. In addition to roasting, marketing, and selling coffee, Starbucks sells tea, beverages, fresh food, consumer products, and owns several beverage brands. The company has four operational segments: the Americas; Europe, Middle East, and Africa (EMEA); China/Asia Pacific (CAP); and Channel Development.

STARBUCK’S INCLUSIVE BUSINESS EDGE

The emphasis on both environmental sustainability and community investments as an approach to business sets Starbucks’ inclusive business activities apart from others. Dunkin’ Donuts, McCafé, and Nespresso, three of Starbucks’ key competitors, have expansive environmental sustainability initiatives; however, these companies do not incorporate the community elements of inclusive business into their core business models. The “people” side of corporate social responsibility for Dunkin’ Donuts and McCafé, in particular, more closely resembles traditional charity work. The Joy in Childhood Foundation (formerly called The Dunkin’ Donuts & Baskin-Robbins Community Foundation) focuses its work on “hunger relief, children’s health, and safety,” while the Ronald McDonald House Charities provide financial support for families in need. Although the Starbucks Foundation funds some of the company’s community investments, the investments complement the company’s business strategy, rather than being purely philanthropic.

APPROACH: There are three pillars that shape Starbucks’ inclusive business activities: environmental and sourcing stewardship, ethical sourcing, and community investments. Starbucks’ annual Global Responsibility Report measures the success of each pillar. While Starbucks is known for its environmental initiatives, the company is less known for its community investments, which have been distinctive in leveraging partnerships.
In 1998 Starbucks entered into a partnership with Earvin “Magic” Johnson to build seven store locations in South Central Los Angeles, that catered to underserved African-American communities. After a 12-year partnership, Starbucks purchased Johnson’s stake in Urban Coffee Opportunities (UCO), which had grown to over 100 stores throughout the United States. The following quote from Howard Schultz, CEO of Starbucks, describes the success of this initiative: “The partnership helped create jobs with health benefits, build community gathering places where they’re most needed, and empower change makers to innovate and take action in their communities. Thanks to this partnership, Starbucks has deepened our commitment to community development in urban areas and plans additional programs to sustain that commitment.”

The UCO partnership represented a diversification of Starbucks’ brand from one that exclusively catered to high-income consumers to one that embraces socioeconomic diversity. According to Rodney Hines, Director of Community Investments, Starbucks plans to open “new stores in economically challenged communities where [Starbucks] will be a part of the continued economic development of those communities, but not in an effort to move those communities further along towards gentrification.” The company contributes to economic development by hiring locally and sourcing local products. Starbucks’ new community investment strategy creates a direct talent pipeline for unemployed youth. To this end, Starbucks entered into a partnership with YouthBuild USA and the Shultz Family Foundation to create the Customer Service Excellence Training Program (CSET), a career development program for at-risk youth. The program provides in-classroom and on-the-job consumer services training for participants. Although all participants are not guaranteed employment at Starbucks, the program prepares them for future educational and employment opportunities. In 2015, Starbucks made a commitment to hire, train, and develop 10,000 youth through the partnership with YouthBuild USA as well as other partners. This quickly grew into the 100,000 Opportunities Initiative, an employer-led coalition that seeks to create economic opportunities for youths who are not in school or working through internships, apprenticeships, and employment.

The CSET, established in 2014, is already showing signs of success. Hines has informally received positive reviews from Regional Directors who have hired workers from the YouthBuild USA cohort. According to Hines, the YouthBuild participants are “hardworking” young people who feel “…appreciative, and almost fortunate, that they’ve been given an opportunity that they’ve been striving to have. With it comes a sense of loyalty [to the company], as well as a dogged sense of continuing to want to prove themselves.” Sangeeta Tyagi, President of YouthBuild USA, explained that one of the organization’s goals for pursuing partnerships is to create job pipelines for the population they serve. The Starbucks partnership works because “One of the elements of all our corporate partnerships, including with Starbucks, is that the companies have workforce needs. They need workers who […] have the skills and training coming into the company.”

Starbucks and YouthBuild USA also learned many lessons from this newly formed partnership. The company did not anticipate the operational differences between local YouthBuild program. Expertise and competencies varied across local programs, making it more difficult for Starbucks to implement a coherent strategy across the nation. On the other hand, resolving different interpretations of scalability and scope between companies and non-profits were also key to the initiative’s success. Finding an optimal pace to scale that meets the goals of global companies, while also considering the capacity constraints of their resource-scarce nonprofits partners, is a key challenge in cross-sector partnerships.

THE BUSINESS CASE FOR STARBUCKS

Starbucks’ CEO Howard Schultz has a reputation for acting boldly on political and social issues and encourages his employees to partake in the conversation. According to Tyagi, “If Howard’s personal history wasn’t one that made him connect to this population at the depth at which he does […] this would be a somewhat different conversation […]
I just think it would have taken longer. It would have been a different path.”

Schultz’s passion for the youth opportunity cause helped drive the success of the YouthBuild partnership.

Starbucks is able to make inclusive business activities profitable by incorporating it into its brand. The company’s reputation of being a “world-class company” is integral to its image. Starbucks’ customers choose to purchase its products rather than its competitors’ because of this reputation. According to Hines, Starbucks is “very cognizant of the perceptions of the brand, and the decisions, the choices, that customers make [...] Discerning customers are becoming more and more [aware] in terms of their purchasing practices, and [choosing] who they trust as a brand [based on] the impact the brand has on the world and on the environment.”

Although inclusive business activities attract socially aware customers to Starbucks, Hines did not specify which of Starbucks’ activities inspire customers to consume the brand.

Environmental stewardship can directly decrease costs and add to a company’s profitability in the short term, while community investments require a longer-term approach to inclusive business. The Starbucks and YouthBuild USA partnership is an example of how a long-term strategy for inclusive business activities can create a pipeline for recruiting a workforce of dedicated employees and attract socially conscious consumers.  

4. McCafé is McDonald’s coffee-house styled fast-food restaurant. McDonald’s corporate responsibility agenda was used as a comparison for Starbucks, although McCafé is the specific competitor.