

THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY OF STARBUCKS COMPANY

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ABSTRACT

In recent years, company not only focus in the financial performances but also the non-financial orientation that at the end also beneficial for the company. Corporate Social Responsibility (CSR) is an example of a non-financial orientation which allows company to gain several benefits. Starbucks is known for the variety of its CSR program and makes Starbucks as the player for CSR in the corporate world. For that reason, writer would like to study about the implementation of CRS program of Starbucks, particularly in Surabaya. All data in this research is a secondary data and this a literature study.

Key words: Corporate Social Responsibility, Implementation, Starbucks

1. INTRODUCTION

In recent years, the world of business has began to shift its focus. What usually focus on maximizing profit, now also adding a non-financial orientation, the balance of three aspects; people, planet and profit. Corporate Social Responsibility (CSR) is an example of a non-financial orientation which allows company to gain several benefits. First of all, by engaging this activity company can gain a good reputation in the eyes of stakeholder. Secondly, this might be a good way to attract future employee and thirdly, company may able to set a higher price for its product due to the activity of CSR. Beside those benefits, engaging CSR also allows company to gain a competitive advantage. By doing a specific CSR program that related to the company itself, company will perform a unique activity that differ from others and cannot be copied, it means company has an advantage.

Related to CSR program, there is one fact that is interesting to be analysed. The example is Starbucks company. During its 2008 annual report, the financial performance was not good; operating income fell 52%, operating margin fell from 11.2% to 4.9%, net earnings fell 53% and stock price was trading below \$10, only half from previous year. Having this problem, Starbucks came up with a controversial decision among business player, not focus on financial issues in its agenda but focus on people, environment and community; and its worked. Company

has gain several acknowledgments among stakeholder due to its ethical activities that widely spread; best company to work at, most admired company, most ethical company, and most innovative company (Callejon, 2012).

Starbucks performed variety of CSR activities; ranging from environmental program, ethical standard for sourcing to community service project. All of these makes Starbucks is known as CSR player in corporate world. Due to this reason, writer would like to study about the implementation of Corporate Social Responsibility of Starbucks, particularly in Surabaya from the point of view of the writer itself.

As the second largest city in Indonesia, Surabaya also has to deal with the side effect of being the metropolitan city, problem regarding environment. For the example are the disposal of domestic and industry waste, the use of natural resources and shall not forget the air and water pollution. All of these make Surabaya is appropriate for the need of CSR activity. Having said that, being a developing country also makes the people in Indonesia (Surabaya) reaction and comprehension toward environmental issues is also different compare to western (developed) countries.

2. THEORETICAL BACKGROUND

2.1 Corporate Social Responsibility

Corporate Social Responsibility is the commitment of a company to perform an ethical activity while still contribute to the economic development. Besides that, company also focus on improving the quality of life of the workforce along with their families and local community (Holmes and Watts, 2000). The implication of this definition requires company to balance the focus of financial performance with the non-financial performance. Not only focus to satisfy its customer but also taking care of the environment wisely.

Abels and Martelli (2012) define CSR as the way company able to increase the reputation and image to the public by performing social activities beyond its legal requirements. In recent perspectives, stakeholder is not only concern about profit but also consider CSR programme as something important, not only for now but also for the future. There has been several studies that linked the competitive advantage, good public image and social activities to the higher ROI (Eccles, Ioannou & Sarefeim, 2012).

Karnoven and Phan (2003) mention that CSR has three dimension; social, environmental and economic. In other words, to be fully implemented the CSR programme, company should engaged all those three activities. Corporate Social Responsibility is the activity of balancing the business side ethically while still put the stakeholder interest properly (Panapaan et al, 2003). Kotler and Lee (2005) said that CSR is the use of corporate resources to contribute to the improvement of community through its business practice.

As for the first dimension of CSR based on Karnoven and Phan (2003) which is social; corporate should help the community to develop. By doing so, company has to make a good relationship with its labour; respect the human right and providing a good working environment are the example of it (Bob, 2002). The element of environmental aspect are related to the pollution, either air, water and land. The idea is how company manage to optimized the best use of the resources without damage the environment and reduce

the manufacturing waste (Schaltegger et al, 2003). Company also has to make sure that natural resource still available and sustainable for the future (Bahadur and Waqqa, 2013). Economic/profit aspect is always be the goal for the company. Company needs to grow as for the organization and also for the environment (Alhadi, 2015).

2.2 Company Reputation

When a company executed the CSR programme properly and well exposed to the market, it will gain a good reputation in the society. With a good reputation, company might use this benefit to attract customer and gain their loyalty (Lin et al, 2003). Beside that, company reputation also considered as an intangible asset that need to be maintain (Fombrum and Van Riel, 1998). In the field of management, corporate reputation is even more important because can be treated as an asset for the public relation function (Doorley and Gracia, 2007; Haywood, 2005).

In the field of human resource, the important of corporate reputation is also crucial because dealing with employees. Based on Gotsi and Wilson (2001), employees can be used as a model of corporate reputation. Even though reputation may not be shown in the balance sheet and cannot be calculated, is surely has a positive impact toward investor perception and other stakeholders, therefore company should consider reputation included in the planning of strategic issue and should be given a higher level of importance (patric and Ajao, 2013). As it might not be valued in the terms that can be calculated, company is having a hard time try figure out how to create and maintained it and when a negative event occurred and crushed company reputation, it's even harder correct the damage. Therefore, company must create a specific strategy to deal with reputation and should be embedded in the company grand strategy (Yang and Li, 2007).

3. RESEARCH METHOD

This research focuses on company's Corporate Social Responsibility of Starbucks.

Writer will make a further analyses of CSR program by Starbucks especially in Surabaya and uses his comprehension to analyse the practice of CSR dealing with condition in Surabaya. All data in this research is a secondary data and this a literature study.

The first step made by writer is searching the phenomenon of Corporate Social Responsibility. The second step is focuses on observation in Starbucks in Surabaya and collection of data through library research (journal, magazine, article), analysing the data and find the conclusion.

4. RESULT AND DISCUSSION

4.1 Company Profile

Starbucks is an American coffee company origins in Seattle, USA and considered as the biggest coffeehouse chain in the world with nearly 20.000 stores in 60 countries. Starbucks main consumer are collage students and workers with high income who like to socialize and hang out. Starbucks usually located in the prestige area in the mall/retail stores than can be easily accessed and a popular spot in the community.

Starbucks opened its first store in Indonesia back in May 2002 at Plaza Indonesia. The licence holder of this brand is PT Sari Coffee Indonesia under the big company of MAP (PT Mitra Adi Perkasa) that also owned Pull and Bear, Planet Sport, Zara, Nine West, Marc and Spencers and other reputable brand.

In Surabaya, the first store opened also in 2002 at Tunjungan Plaza 4. Now, there are more than 10 outlets spread in Surabaya located at Surabaya Town Square, Tunjungan Plaza, Galaxy Mall, Ciputra Mall, Pakuwon Supermall, Grand City Mall, Intiland Tower, The Square Apartment, Dhamahusada Indah Timur, National Hospital, East Cost Center and KM 26 Gempol.

Mission of Starbucks is "To inspire and nurture the human spirit – one person, one cup and one neighbour at a time". In order to accomplish its mission, Starbucks has some guidelines principle to help the

employees running daily activities. There are 6 principles at Starbucks; 1) Coffee, 2) Partners, 3) Customer, 4) Stores, 5) Neighbour and 6) Shareholders.

4.2 Social Aspect of Starbucks's CSR

4.2.1 Community Service

Starbucks inspire its customers and employee to be involved in the volunteering program in their communities. Variety of innovative activities have been created by Starbucks to facilitate this program. The recent one is the Drop of Hope, a joint program with Flink Magazine. Starting in 2012, this program invites all customers all over Indonesia to take part in helping the children by granting their wishes. Just by 4 simple steps; login to the web, select the child's wish, purchase the item and drop it at the boxes at the Starbucks store, everyone can take part in this community service program. More than 1.000 wish items has been collected during this program.

Another example is between Starbucks in Surabaya with its local partner regarding the recycling activity. Every week the partner will choose different type of trash collected and further will be recycle for several type of trash. Starbucks National Hospital in Surabaya also conduct the CSR program with the collaboration with Lembaga Swadaya Masyarakat (LSM). The various activities like teaching children with Yayasan Peduli Kasih, visiting orphanage and retirement house is held once or twice a month. Starbucks also teach English and computer skill to children. What unique is a big car with computer in it and functioned as a library used for this function, it means it can travel to different area wherever it needed.

4.2.2 Starbucks Foundation

This foundation is created to contribute more to the community, started in 1997 in the US and Canada, now has served many communities around the globe. The grant program for students who need fund is created to support the education for the youngsters.

Starbucks also supports social development that help the communities that produce

coffee, tea and cocoa. The program provide a proper education and training related with agricultural thing, provide financing solution for the farmers, nature conservation and increasing the level of living (sanitation, health, nutrition and water). This is indeed a good program because Starbucks is relying the main ingredients from the farmers, so it looks like Starbucks is giving back to the community.

4.3 Environmental Aspect of Starbucks's CSR

4.3.1 Recycling and Greener Cups

Starbucks is trying hard to develop more environmentally friendly cups and still conduct recycling program for the waste it produced. While the action of recycling seems easy in the surface, the reality is difficult. Most of the waste of the activity such as boxes, jugs and grounds are placed behind the counter and put the back at the store. Unfortunately customer cannot see action and what cannot be seen might not important in the customer point of view. Starbucks also continually introduce new plastic cups that more environmental friendly that the regular cups.

4.3.2 Reusable Cups

In this program, customers can also play their role in taking care of the environment. Starbucks encourage customers to bring their own mugs or tumblers and for the effort, the price is discounted. There is also event every 22nd date each month is which customers will get 50% off. Every paper cup saved means our forest also being saved. For the marketing side, this is a good program, because other than environmentally friendly aspect, Starbucks also get income from the tumbler selling which also gives profit for the company.

4.3.3 Energy, Water and Green Building

The use of energy in Starbucks nearly 80% from the total carbon footprint that has negative impact to the climate. Being so big it also creates a good opportunity to make significant improvements. Increasing efficiency and reduce the energy will end up positively toward the climate. New strategy regularly updated to find the best way to

reduce the use of energy consumption, for example the invention of HVAC (heating, ventilation and cooling) system. Starbucks also came up with new design and operations activity to reduce the use of water like the use of blast of higher-pressure water to clean the blender jugs. The use of green building material and the implementation of energy efficient design building also used by Starbucks for this program.

4.3.4 Tacking Climate Change

Raw material for Starbucks (coffee, tea and cocoa) grow in many region and for those area, climate change can be resulted in bad harvest or lower quality product. This is crucial for the wellbeing of the company. Since 2002, Starbucks already implement a climate change strategy that focuses on renewable energy and energy conservation. Starbucks partnering with Conservation International to conduct a pilot project to conserve and restore the nature habitat of the field and has been engaged with 29 coffee-growing communities in Sumatra and Mexico. The program also provide help to the farmers to produce better quality of coffee. In Surabaya, store in National Hospital and PTC engaging their activity to plant mangrove as one of the CSR activities. Adding a larger green field means a better climate in Surabaya.

4.3.5 Certified Organic

The grown of organic coffee has a lower negative impact to the environment compare to the regular coffee. Less use of toxic, pesticides and chemical fertilizer maintain soil and water health. In 2011, Starbucks purchased nearly 10 million of organic coffee. Even though this is a good program, unfortunately this event is not visible clearly to the customers and some customers might not consider the use of organic material as a healthy life style. The use of an organic material also add up some cost that makes the price higher.

4.4 Economic Aspect of Starbucks's CSR

4.4.1 Coffee Sourcing

Starbucks has a rigid and specific guidelines to purchase coffee only from farmers or traders who meet the requirements, called

Coffee and Farmer Equity (CAFÉ) practices. This practices provide a method of growing coffee that is beneficial for both people and earth. There are four standard within CAFÉ practices; Product requirements must meet Starbucks standard, Economic Accountability in which the supplier must be transparent, Social Responsibility in which a third party must qualified the proper working condition for workers and Environmental Leadership where a third party also must verified the managed of waste.

4.4.2 Tea Sourcing

Starbucks support the activity to improve the condition of tea industry, especially tea farmers. For example join the CHAI (Community Health and Advancement Initiative) project that support the needs of tea and spice growing communities, from the economic aspect, education and health. Since 2003, \$2.4 billion has been contributed by Starbucks.

4.4.3 Cocoa Sourcing.

The Cocoa practices program is the way to ensure the long term relationship with cocoa farmers and as well to contribute positively to the communities, especially cocoa farming communities. Even though cocoa is not the main product of Starbucks, cocoa is used in most of the popular products. Therefore, this practice is not only functioned for Starbucks giving back to the communities, but also to make sure the availability of good quality of supply.

Overall, in the terms of take and give between Starbucks and the supplier of coffee, tea and cocoa is a good program. It terms of honouring Starbucks responsibility as the buyer and also the relationship with the farmers. Nothing much to say that Starbuck is depending on the farmers, so if Starbucks give facilities of fulfil the obligation properly, this would beneficial both ways.

5. CONCLUSION

Not all customers are aware of the CSR activities done by Starbucks, hence they cannot participate. Starbucks need to introduce and promote more about their CSR

programs, not only in their outlets but also use other media.

Execution the appropriate CSR activities can improve the reputation of a company. They increase customer value and customers' perspectives are filled with belief about the good things Starbucks has done. This is supported by research of Paula et al. (2011) which concluded that CSR activities help create good company image.

By doing CSR activities, Starbucks can also gain competitive advantages because not all companies are doing the same. When not every company does what Starbucks has done, that makes Starbucks superior to other companies. This fact is supported by the research of Dutta and Durmagohan (2008) which found that CSR activities positively benefited companies to gain competitive advantages over their competitors.

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