In Pursuit of the Triple Bottom Line[1]

Economic, Social, and Environmental Commitment at Clif Bar, Stonyfield Farm, and Starbucks

Master of Arts in Law and Diplomacy Thesis

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[1]Elkington, John. *Cannibals with Forks: the Triple Bottom Line in 21st Century Business*. Stony Creek, CT: New Society Publishers, 1998.

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Chapter One: Introduction

This paper will analyze three different companies in the food and beverage industry: Clif Bar, Stonyfield Farm, and Starbucks Coffee Company. All three serve as role models to others in pursuit of the triple bottom line: all take into consideration economic, social, and environmental returns and have received public recognition for their success in all three areas. The question I seek to answer is whether these companies' social and environmental initiatives make them more profitable. Does Corporate Social Responsibility (CSR) make good business sense?

I have chosen these specific companies for several reasons. First, they represent three different corporate structures: Clif Bar is private; Stonyfield Farm was bought by Danone but retains some autonomy and Board control; finally, Starbucks is public. More importantly, these companies share a reputation of demonstrating that it is possible to do good and to do well simultaneously. In each case, however, social mission affects the company's respective consumers quite differently.

To illustrate the wide range of behaviors in the food sector, I will tell three brief vignettes about Nestlé, McDonald's, and Coca-Cola to serve as examples of companies that have been criticized for their *irresponsibility* as food and beverage corporations. I have not chosen to focus on them as my case studies because I am interested in the connection, rather than the disconnect, between social and environmental initiatives and financial returns. Nestlé, McDonalds, and Coca-Cola have been focused predominately on the latter and will serve as a stark contrast to Clif Bar, Stonyfield Farm, and Starbucks.

Using Starbucks as my primary case study and Clif Bar and Stonyfield Farm as secondary cases, I will devote Chapter Two to discussing the issues unique to Corporate Social Responsibility (CSR) within the food sector. In Chapter Three (Clif Bar), Chapter Four (Stonyfield Farm), and Chapter Five (Starbucks), I will analyze the roles of scale and corporate acquisition on social mission, and I will evaluate whether the recognition these three companies have received as epitomizing good corporate citizenship is justified. Finally, I will seek to answer the following question: Are these companies doing well *because of* their social mission or *in spite of* it? In other words, are their CSR initiatives enhancing their profits or are they doing well financially despite their commitment to social and environmental causes?

As more companies develop CSR programs, publish CSR reports, and integrate CSR into their strategy, it is important for them to know whether they can expect these initiatives to improve their profits, or whether they will need to treat these acts of doing good as mere philanthropy, an expenditure with the potential to boost the brand but no positive direct impact on the financial bottom line.

Chapter Two: CSR in the Food Sector

The Economist on CSR

According to Clive Crook, author of the January 2005 *Economist* article, “The Good Company,” Milton Friedman was right on target: a corporation’s priority should be its bottom line. Shareholders’ dollars should be devoted to maximizing return. After all, if corporations are successful, shareholders can reap significant profits and choose, if they so desire, to write large checks to the charities of their choice. Crook argues it is unethical for a corporation to behave otherwise. He notes that the recent outpouring of generosity from corporations to tsunami victims was irresponsible. “Philanthropy at others’ [ie: shareholders’] expense…is not quite the real thing.”[2] To take it one step further, P. Brabeck-Letmanthe, CEO of Nestlé, proclaimed in 2005 to a Boston College audience that companies should not feel compelled to give back at all.[3]

Doing Good? Or Greenwashing?

Upon further examination of the issue, however, one can observe that an increasing number of global companies’ behaviors run counter to Crook and Brabeck’s argument: corporations are, in fact, giving back, and not just with aid to tsunami victims. To some extent, it is irrelevant whether the primary motive of the corporation’s good behavior is to

[2] Crook, Clive. “Capitalism and Ethics: A Skeptical Look at Corporate Social Responsibility.” *The Economist.* January 22, 2005.

[3] P. Brabeck-Letmathe, “Corporate Governance- a European Vantage Point.” Boston College-Chief Executives’ Club Luncheon speech, March 8, 2005. Author’s note: P. Brabeck-Letmanthe reversed his stance in 2006, saying CSR was “an inherent part of Nestlé’s strategy.” “Corporate Profitability and Corporate Responsibility– What is the Relationship?" panel by IBLF and LBS, the Chancery Court Hotel, London, March 16, 2006.

demonstrate a genuine interest in acting responsibly towards the community and environment, to reap the rewards of positive PR by marketing to an important niche, or to repair a tarnished image (as in the case of Nike's response to its sweatshop allegations of the '90s, for example). If companies are actually making positive changes, the end result is that others benefit. Enough said. What complicates the issue is that the boundary often blurs between when a company is actually making a difference and when it is guilty of mere greenwashing, showing a higher commitment to marketing its CSR efforts than to the CSR initiatives themselves. In 1985, for example, Chevron began its 'People Do' projects, aimed at promoting an environmentally-friendly image through several environmental projects whose value in itself is questionable. Chevron's El Segundo butterfly program costs $5000 per year to run, yet Chevron spent $200,000 for each thirty-second ad to promote it.[4] Philip Morris is another company guilty of greenwashing: in 1999, it spent $75 million in charitable contributions and $100 million in advertising to publicize it.[5] Of course, Philip Morris USA's entire CSR strategy is questionable: the CSR initiative of preventing youth from smoking completely contradicts the company's marketing efforts such as offering two-for-one specials– which notoriously attract youth.

[4] Karliner, Joshua. *The Corporate Planet.* San Francisco: Sierra Club Books, 1997, p.173.

[5] Porter, Michael E. and Mark R. Kramer. "The Competitive Advantage of Corporate Philanthropy." *Harvard Buisness Review on Corporate Responsibility*. Boston: Harvard Business School Publishing, 2003, p.29.

Moving Beyond Philanthropy

Many companies today are showing that doing good is about more than simply making donations, also known as corporate philanthropy. As the founders of Ben & Jerry's note, "Charity is fine, but it's dealing with the symptoms and not the root cause of the problem. It's just plugging the holes in the dike while the water rises around us."[6] Furthermore, *Compassionate Capitalism* authors Marc Benioff and Karen Chadwick note that instead of donating dollars, businesses should focus on leveraging the expertise and enthusiasm of their employees.[7] Bill Shore, founder of Share Our Strength– a nonprofit committed to fighting hunger– notes that if instead of cash, people shared their strengths, it would be a win-win situation. For example, "chefs would rather donate $500 to $1000 worth of food and an evening of their time preparing it at a benefit to fight hunger than put a check for $100 in the mail once a year."[8]

Of course, there still exist specific strategic opportunities for philanthropy: for example, now that many Fortune 500 companies are making a significant portion of their profits overseas, "…those companies see philanthropy as the best means of building friendships with government leaders, overcoming regulatory hurdles, capturing the imagination of the emerging middle classes, and opening a dialogue with host communities about how companies can meet their needs."[9] While some might argue that

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[6] Cohen, Ben and Jerry Greenfield. *Ben and Jerry's Double Dip*. New York: Simon and Schuster, 1997, p.199.

[7] Benioff, Marc and Karen Southwick. *Compassionate Capitalism*. Franklin Lakes: The Career Press Inc., 2004, p.19.

[8] Shore, Bill. *Revolution of the Heart*. New York: Riverhead Books, 1995, p.114.

[9] Smith, Craig. "The New Corporate Philanthropy." *Harvard Business Review on, Corporate Social Responsibility*. Boston: Harvard Business School Pub. Corp., 2003, p. 174.

this bears a suspicious resemblance to greasing palms,[10] showing goodwill in a new community is simply good business strategy for a company.

Yet many argue that writing checks is not enough. According to Michael Porter and Mark Kramer, “It is only where corporate expenditures produce simultaneous social and economic gains that corporate philanthropy and shareholder interests converge.”[11] Indeed, many companies now are shifting from being merely philanthropic to being values-led. Doing substantial good is about creating sustainable positive change: treating employees well, contributing time and energy to the community, and actively striving to reduce one’s environmental footprint, all in addition to generating healthy profits year after year. Companies refer to this triumvirate of economic, social, and environmental benefits as “the triple bottom line.”[12] While Crook argues that social and environmental improvements are difficult to quantify– and thus, it is difficult to make simple comparisons between the success levels of one company to another–[13] this is not sufficient reason for a corporation to rest on one’s laurels and ignore environmental and community concerns. A company should not avoid CSR initiatives simply because the metrics are harder to quantify than those in the balance sheets used for measuring financial performance. Lessening one’s environmental footprint and giving time and effort to the community are positive and worthwhile endeavors.

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[10] Najam, Adil. comment, December 6, 2006.

[11] Porter, Michael E. and Mark R. Kramer. “The Competitive Advantage of Corporate Philanthropy.” *Harvard Business Review on Corporate Social Responsibility.* Boston: Harvard Business School Pub. Corp., 2003, p. 33.

[12] Elkington, John. *Cannibals with Forks: the Triple Bottom Line in 21st Century Business*. Stony Creek, CT: New Society Publishers, 1998.

[13] Crook, Clive. “The World According to CSR.” *The Economist.* January 22, 2005.

Measuring CSR

While social impact is difficult to measure, eco-efficiency is not: companies like Stonyfield Farm have shown that increasing the company's efficiency in areas like packaging is not just an altruistic measure; it also saves the company money. In addition to waste reduction (which makes good business sense and shows CSR), companies are now responding to the onset of global warming. Even if companies are not sold on altruism, and even if they are apathetic or ignorant or both towards the environment, they would be foolish not to recognize that climate change is not a threat; it is, in fact, an opportunity for innovation and greater efficiency, and therefore a gain to their bottom line. According to *Natural Capitalism* authors Paul Hawken and Amory Lovins, "It almost doesn't matter whether you believe that climate change is a problem or not: These steps should be taken simply because they make money."[14] Even Wal-Mart and McDonald's are jumping on board: Wal-Mart has built two green stores and is working with Blu-Skye Consulting to develop more sustainability along its supply chain in areas such as packaging. McDonald's is researching ways to use its discarded French Fry grease to power its delivery trucks. Due to their influence over suppliers, changes demanded at both Wal-Mart and McDonald's will have far-reaching implications.

Furthermore, organizations such as GRI and Fortune 500 have each developed a framework and software, respectively, so that some of the less-tangible CSR issues *can* be quantified. Finally, The Center for Corporate Citizenship at Boston College is currently developing an assessment tool for companies to see where they stand along the

[14] Hawken, Paul Amory Lovins, et al. *Natural Capitalism*. Boston: Little, Brown, and Company, 1999, p.243.

parameters of environment, business ethics, corporate governance, community involvement, marketplace, and workplace.

Health as a CSR Issue

In looking at CSR specifically within the food sector, a number of issues arise that are unique to this industry. Because the products of food companies are actually eaten by the customer, health becomes the paramount issue in evaluating CSR at a food company. This is not an issue that companies like Nike or Timberland have to deal with. Their CSR initiatives relate to labor practices, involvement in the community, and environmental impact. But if a company's very products are damaging to consumers' health (as some food companies' products indisputably are), can the company itself– even with all the community and environmental initiatives in the world– be considered socially responsible?

According to Marion Nestle (no relation to the namesake company), Professor of Nutrition, Food Studies, and Public Health at NYU, "…Food companies… routinely place the needs of stockholders over considerations of public health….Food companies will make and market any product that sells, regardless of its nutritional value or its effect on health.[15]

[15] Nestle, Marion. *Food Politics*. Berkeley: University of California Press, 2002, p.viii.

Nestlé: The Baby Formula Scandal

Perhaps the most publicized story of corporate social responsibility (or lack thereof) in the food industry remains that of Nestlé baby formula. By the late '70s, Nestlé was aggressively marketing its formula to mothers in developing countries. Nestlé showed questionable corporate ethics in promoting its product over the natural and free alternative, breast milk. Many critics argue that a mother's milk is the best food for a baby; formula is not a good substitute.[16] "Formula…makes children sicker, fatter, and dumber. Its inability to match the antibodies of breast milk is implicated in a range of maladies, including ear infections and diabetes," writes Jennifer Graham in *The Wall Street Journal*.[17] Not only do formula-fed babies miss the immunological protection against diseases which is afforded by breast milk, but they are also susceptible to the dangers of poor sanitation and inappropriate dilutions of the formula. Most of these women did not know that mothers' milk was superior to formula. Many of them lacked clean water. Therefore, many babies got sick from water-borne illnesses acquired while consuming formula.[18]

While Nestlé faced significant criticism for pushing baby formula in the developing world, the introduction of AIDS brought an interesting twist to the situation: as early as 1989, Nestlé began to use AIDS as an argument for mothers to switch to

[16] Williams CD. Milk and Murder. In: Baumslag N, ed. Primary Health Care Pioneer: The Selected Works of Dr. Cicely D. Williams. Geneva: World Federation of Public Health Associations and UNICEF, 1986, as seen in Nestle, pp.146-7.

[17] Graham, Jennifer. "The Formula Follies. *The Wall Street Journal.* July 21, 2006, p.W11.

[18] Nestle, Marion. *Food Politics*. Berkeley: University of California Press, 2002, p.156.

formula feeding.[19] Due to the serious risk of transmitting AIDS from an HIV+ mother to an infant through breast milk, a valid reason to consider infant formula had now emerged.

McDonald's: Big Macs, Big Butts

While the scrutiny Nestlé has received over several decades was over one specific product, McDonald's has received widespread criticism over the social irresponsibility of its entire menu and its ubiquity worldwide. In *Fast Food Nation*, author Eric Schlosser provides an exposé of the fast food industry, including the inhumane conditions for animals and employees at slaughterhouses and meatpacking plants supplying McDonald's restaurants. His latest book, *Chew on This*, communicates *Fast Food Nation*'s message in a more simplified manner to a sixth to ninth grade audience. In Morgan Spurlock's 2004 documentary, *Supersize Me*, Spurlock consumes McDonald's food for all his meals for a full month. A cardiologist, a general practitioner, and a gastroenterologist monitor his vitals throughout the month and witness his weight gain and increase in cholesterol levels throughout the month, while Spurlock shares his decline in energy, mood swings, headaches, and decreased sex drive. Granted, Spurlock's lifestyle changes also included cutting out all physical activity in order to replicate the average American's habits, so the ill effects he experienced were not solely due to diet.

Spurlock examines the swinging pendulum between personal responsibility and corporate responsibility in the case of two obese girls who sued McDonald's for making them fat. (The case was dropped). Some credit Spurlock's film as the impetus behind

[19] Chetley A. "Infant feeding row." Lancet 1994; 343: 1030-1031, as seen in Nestle, p.156.

McDonald's decision to abandon its Supersize offerings.[20] In the U.K., the McDonald's versus London Greenpeace trial also brought massive negative publicity to McDonald's. The trial "…focused public attention on ethical issues related to McDonald's marketing to children diets high in calories, saturated fat, and sodium…[and] illustrated the time and expense to which a food company was willing to go to stifle criticism of such practices."[21]

One cannot help but draw the connection between McDonald's (and other fast food companies) and the obesity and diabetes crises in the U.S. "Whereas concerns about children's nutrition once focused on dietary insufficiency, the most serious dietary issue affecting today's American children is obesity."[22] 2000 marked the first year that the number of the world's overweight people (1.1 billion) matched the number of undernourished people.[23] But whose fault is it? Are we, as consumers, being force-fed Big Macs? Or are we passive victims of corporate marketing? "[It is the] food industry's imperative to encourage people to *eat more* in order to generate sales and increase income in a highly competitive marketplace."[24] Aren't companies just doing their job?

While it is a pretty straightforward argument that we as adults need to take responsibility for our eating habits, the issue becomes more complicated when we start talking about marketing unhealthy products to children. McDonald's must navigate a

[20] Disputed by Bob Langert, talk at the Fletcher School, April 13, 2005. He claims McDonald's was already thinking of abandoning its Supersize offerings prior to the release of *Supersize Me*.
[21] Nestle, Marion. *Food Politics*. Berkeley: University of California Press, 2002, p.161.
[22] Ibid., 175.
[23] Ibid., 16.
[24] Ibid., 4.

tricky line: the company naturally wants to sell its products, and children are an easy market. They also represent a potential lifetime consumer. Yet the product itself is unhealthy, and many equate it (and other fast food) with obesity. According to Marion Nestle, children under 12 years of age are unable to distinguish the difference between education and marketing.[25] Therefore, companies must follow a narrow path of ethically-correct behavior in marketing products to children.

The dramatic impact of fast food on health can be seen outside the U.S. as well. In Japan, known for its healthy national diet, the McDonald's diet has taken its most significant toll in Okinawa: The life expectancy of its residents has dropped from number one, where it remained for many years, to 26. "…Waists have widened as Okinawans, ruled directly by the United States from the end of World War II to 1972, have, of all Japanese, most closely adopted the American lifestyle of cars, suburban malls and fast food." [26] While older Okinawans continue to eat healthy traditional food high in vegetables and fish and low in fat, the younger generation has grown up with American fast-food outlets such as McDonald's.

CSR at McDonald's: An Oxymoron?

During a visit to Fletcher in April, 2005, Bob Langert, McDonald's Vice President of Corporate Social Responsibility, peered with a straight face at his audience of Friedman and Fletcher School students and stated confidently that McDonald's food

[25] Nestle, Marion, Food, Ethics, and Environment Conference, Princeton University, Princeton, November 16, 2006.

[26] Urasoe Onishi, "On U.S. Fast Food, More Okinawans Grow Super-Sized," *The New York Times*, March 30, 2004. Accessed April 28, 2005. Available from LexisNexis.

was not, in fact, unhealthy. [27] Indeed, in a reactionary measure, McDonald's has tried to re-brand itself to appeal to customers who now have different preferences. The company provides more transparency regarding food content and operations. On the McDonald's website, all nutrition information is disclosed: a Quarter Pounder with cheese, for example, has 510 calories and 25 grams of fat (12 of which are saturated). A Big Mac has 560 calories and 30 grams of fat (10 of which are saturated), and an order of medium fries has 380 calories and 20 grams of fat (4 of which are saturated; 5 of which are trans-fats). While a healthy diet includes about 30% of calories from fats, the fats in a Big Mac and fries are the unhealthy kind– saturated fats and trans fats. An individual would be much better off obtaining healthy fats, called polyunsaturated fats, from items such as nuts, grains, fish, and olive oil.[28] Furthermore, a Big Mac and medium fries total 940 calories, which is almost half of an average 2000 calorie per day diet. A soda would obviously add to the total.

While McDonald's deserves recognition for expanding its offerings to include salads and grilled chicken sandwiches, some of its salads are just as high in fat as the burgers. The Crispy Chicken Caesar Salad, for example, has 31 grams of fat if customers use the full 2 oz. of salad dressing.[29] Is it McDonald's responsibility to inform customers that they do not need to use the full packet of salad dressing? The restaurant does offer low-fat dressings and provides its customers with full disclosure of its products' nutritional information. McDonald's also works with Bob Greene, Oprah Winfrey's personal trainer, to encourage customers to adopt an active lifestyle. The company has

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[27] Bob Langert, talk at the Fletcher School, Medford, MA. April 13, 2005.
[28] Willet, Walter C., M.D. *Eat, Drink, and Be Healthy*. New York: Free Press, 2001, p.22.
[29] www.mcdonalds.com. Accessed July 7, 2006.

launched two affiliate websites, Go Active and Total Body Makeover, which provide information for families on leading an active, healthy lifestyle.

While some might argue that Go Active and Total Body Makeover are Band-Aid campaigns for McDonald's unhealthy products, the Ronald McDonald House Charities (RMHC) show that McDonald's is genuinely committed to the community: the three programs– the Ronald McDonald House, Ronald McDonald Family Room and Ronald McDonald Care Mobile– provide a home away from home for the families of children who are severely ill. McDonald's has also shown environmental initiatives such as replacing its clamshell Styrofoam containers with paper products. McDonald's offers an affordable place to eat out for some families who cannot afford to eat out anywhere else. It provides jobs worldwide for millions of unskilled workers. So while it may appear upon initial reflection that CSR at McDonald's is an oxymoron because its unhealthy products are a sign of *irresponsibility*, the company has shown other initiatives, as mentioned, that do benefit the community and environment.

Coca-Cola

Of course, a discussion of the most controversial food and beverage companies would be incomplete without mention of Coca-Cola. While the global consultancy Interbrand ranks Coca-Cola as the world's top brand in 2006 with an estimated brand value of $67 billion,[30] what might be less known by the masses is that Coke has been accused of human rights violations in Colombia, it has caused environmental problems in

[30] "Coke retains top slot in BusinessWeek/ Interbrand global brand rankings." August 1, 2006. Accessed at www.domain-b.com through GoogleAlerts on August 1, 2006.

India and elsewhere, and it has targeted children in the marketing of its unhealthy products.

Human Rights Violations

Specifically, Coca-Cola has been accused of murder, kidnappings, and torture of leaders of the Sinaltrainal Union at Coke plants in Colombia. Coca-Cola's response has not been to deny that these events occurred, but rather to claim it cannot be liable in U.S. court for what occurred in Colombia at bottling plants it does not own.[31]

Water Problems

Coca-Cola's problems are not exclusively human rights violations, nor are they specific to Colombia alone. NGOs such as the India Resource Centre (IRC) have criticized Coca-Cola for four problems in India, where 27 company-owned bottling operations and 17 franchisee-owned bottling operations supply approximately 700,000 retail outlets nationwide. First, the extraction of water in communities with bottling plants has caused a depletion of the water table (and therefore, water shortages) in those areas. Second, by sending waste water to the fields and rivers surrounding its bottling plants, Coca-Cola has been polluting the groundwater and soils. Third, Coca-Cola has been distributing to farmers solid waste (containing cadmium and lead) to be used as fertilizer. Finally, the Center for Science and Environment (CSE), an NGO in India, found pesticides in Coca-Cola's products. On August 5, 2003, the CSE reported that 12 major soft drink brands (including Coca-Cola) sold in New Delhi contained four pesticides that

[31] Collingsworth, Terry. "The Key Human Rights Challenge: Developing Enforcement Mechanisms." *Harvard Human Rights Journal.* Volume 15, Spring 2002. accessed July 21, 2002 on GoogleScholar.

caused illnesses ranging from brain damage to cancer. In Coke products, specifically, the level of pesticides found was 30 to 45 times higher than the EU allowance. Within a week of the announcement, Coke sales across India declined by 30%-40%.

Just as it remains unclear to what extent the intestinal problems and nausea in Belgium in 1999 were actually attributable to Coke consumption, the resolution of the pesticide issue in India remains equally indefinitive. Some critics argue that bribery of Indian government officials occurred before the new announcement to the public that pesticide levels were now within limits.[32] Coca-Cola Chairman and CEO E. Neville Isdell commented in November 2006 on the pesticide allegations: "There is absolutely no problem with the health and safety of our products in India….There is more benzyne in a banana than in a Coke…This is a broader debate than Coke in India." [33]

To its credit, Coca-Cola has conducted environmental impact assessments and groundwater surveys, complied with regulatory environmental regulations, and developed waste water treatment facilities at company-owned bottling facilities, but it is not clear how much integrity there was in these initiatives if the aforementioned violations actually took place. It is possible that there is a discrepancy between the activities that occur at company-owned operations versus franchisee operations. It is also possible that some of the NGOs' allegations are justified and some are not. The June 7, 2005 *Wall Street Journal* ran an article on the pesticide issue, noting the water allegations by IRC and

[32] Dittakavi, Padmini. "Coke & Pepsi in India: Pesticides in Carbonated Beverages." www.ikc.icfai.org. Accessed through GoogleScholar, August 4, 2006.

[33] Isdell, E. Neville. Plenary Address. Business for Social Responsibility Conference. Grand Central Hyatt Hotel, New York, November 8, 2006.

others have not been proven. In Kerala, India, for example, wells continued to dry up after the local Coca-Cola plant had stopped operating. In addition, the *WSJ* mentioned a scientific study requested by the court that had concluded the biggest factor in the water scarcity problem there was simply a lack of rain. Coca-Cola has invited IRC several times to engage in dialogue, but IRC spokesperson Amit Srivastava has refused.[34] To respond to the allegations against Coca-Cola in Colombia, India, and elsewhere as well as to promote Coca-Cola's Corporate Citizenship initiatives, the company has launched a website, www.cokefacts.com.

Marketing to Kids: Soda in Schools

Finally, Coca-Cola has been criticized for marketing its high-sugar, caffeinated beverages to children. Drinking excessive amount of sugar-laden sodas, whose empty calories replace those of more nutritious foods, has been linked to the increased incidence of obesity (and the diabetes which often follows for individuals who become overweight or obese) throughout the U.S.[35] According to Dr. Jacobson from the Center for Science in the Public Interest, "Soft drinks are a problem not only for what they contain, but for what they push out of the diet. In 1977–78, boys consumed more than twice as much milk

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[34] Hills, Jonathan, and Robert Welford. "Case Study: Coca-Cola and Water in India." *Corp. Soc. Responsib. Environ. Mgmt.* **12**, 168–177 (2005), Published online in Wiley InterScience (www.interscience.wiley.com). Accessed through GoogleScholar on August 4, 2006. Stecklow, Steve. **"**Virtual Battle: How a Global Web of Activists Gives Coke Problems in India." *The Wall Street Journal.* June 7, 2005, p. A-1. Accessed through ProQuest on August 4, 2006.

[35] Morton JF, Guthrie JF. "Changes in children's total fat intakes and their food group sources of fat," 1989-91 versus 1994-95: implications for diet quality. *Family Econ Nutr Rev* 1998;11(3):44-57; Troiano RP, Flegal KM, Kuczmarski RJ, Campbell SM, Johnson CL. "Overweight prevalence and trends for children and adolescents." *Arch Pediatr Adolesc Med* 1995;149:1085-91; and Thompson G. "With obesity in children rising, more get adult type of diabetes." *New York Times* 1998 Dec 14:Sect. A:1, Sect. B:5, in Nestle M. "Pouring Rights": marketing empty calories. *Public Health Reports* 2000; 115: 308-319.

as soft drinks, and girls consumed 50 percent more milk than soft drinks. By 1994–96, both boys and girls consumed twice as much soda pop as milk.

Heavy soft drink consumption is associated with lower intake of numerous vitamins, minerals, and dietary fiber."[36] In addition to the sugar, soft drinks contain caffeine, a mildly-addictive substance. "Caffeine is the most commonly ingested psychoactive substance in the world (Gilbert[37], 1984; Pendergrast[38], 1999)." Some adolescents can develop dependence on caffeine as adults can.[39] As caffeine is tasteless, one wonders why soda companies add it to their drinks. Indeed, an interesting parallel emerges between soda companies' decision to include caffeine in their drinks and tobacco companies' decision to include the highly addictive yet tasteless nicotine in their cigarettes.

Coca-Cola has also received negative press for bringing commercialism– and unhealthy products– into schools. Advertising in schools is bad enough on its own; the fact that Coca-Cola's products are damaging to children's health makes it even worse. Coca-Cola is one of many advertisers (AOL Time Warner and Procter and Gamble are others) of Channel One, a daily 12 minute television program sent to 12,000 U.S. schools, where 8.3 million middle, junior, and senior high school students watch. Nearly

[36] Jacobson, Michael F. "Liquid Candy: How Soft Drinks are Harming America's Health." Washington, DC: Center for Science in the Public Interest, 1998.

[37] Gilbert, R.M., 1984. Caffeine Consumption. In: Spiller, G.A. (Ed.), The Methylxanthine Beverages and Foods: Chemistry, Consumption and Health Effects, Liss, New York, Ppp.185-213.

[38] Pendergrast, M., 1999. *Uncommon Grounds: The History of Coffee and How it Transformed Our World*, Basic Books, New York, p.522.

[39] quoted in Bernstein, Gail A., Marilyn E. Carroll, et al. *Drug and Alcohol Dependence*. June 25, 2001. "Caffeine Dependence in Teenagers."

40% of schools across America begin the day with Channel One.[40] In addition, Coca-Cola is now maneuvering its way into the position of being the exclusive drink provider at certain schools. In 1998, the school districts of Lebanon, Ohio, and Keller, outside of Fort Worth, Texas, signed exclusivity contracts with Coca-Cola. While Federal law prohibits the sale of sodas in school lunchrooms, schools are still allowed to sell sodas in vending machines in high schools and elementary schools. As part of the arrangement, Coke can advertise its logo on banners, scoreboards, and paper cups. As a sign of just how far the exclusivity can go, a senior at Greenbriar High School in Evans, Ga., a school with an exclusive Coke contract, was given a full-day of detention in 1998 for wearing a Pepsi t-shirt.[41]

But the relationship goes beyond mere exclusivity. In the end of 1997, the Colorado Springs school district signed an agreement with Coke in which the school district will receive $8 million over ten years. If the school district sells more than 70,000 cases of Coke a year, the school will earn more money. Coke competitor Pepsi has also signed contracts with schools, and in many cases, Coke and Pepsi have engaged in bidding wars.[42] Teachers in Colorado Springs were advised by a district official to keep the vending machines off only during the half hour periods before and after breakfast; the rest of the time, they should be on in order to meet the consumption targets given by Coca-Cola. Furthermore, Coke machines were moved to locations with greater

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[40] Manning, Steven. "Students for Sale: How Corporations Are Buying Their Way Into America's Classrooms." *The Nation*. September 27, 1999. Accessed through GoogleScholar on July 21, 2006.

[41] Goldman, Debra. "School Daze." *AdWeek*. (Eastern edition). New York: April 6, 1998. Vol. 39, Iss. 14; pg. 56.

[42] Hays, Constance L. "Be True to Your Cola, Rah! Rah!: Battle for Soft-drink Loyalties Moves to Public Schools." *The New York Times*. March 10, 1998, accessed through ABI/Inform, July 21, 2006.

accessibility to students, and teachers were encouraged to allow their students to bring into the classroom Coke– or, at the very least, juices, waters, and teas (all Coke products, of course).[43]

According to the Center for Commercial-Free Public Education, by 2001, exclusive arrangements with soft drink companies existed in about 240 schools in 31 states. In many cases, the arrangements have been reached after consultants like Dan DeRose help schools negotiate for more money. “In the past, soft-drink companies would make low offers and schools would usually accept them, lacking the time and inclination to pursue alternatives.”[44] Now consultants like DeRose bring in figures from other contracts and push Coke and Pepsi to return to schools with better offers. These contracts over pouring rights have not been without their share of controversy, and Coke seems recently to have seen the writing on the wall: adjust its practices or be kicked out. On March 14, 2001, Coke announced that it would scale back its approach in schools. It ended exclusive contracts at a number of schools; included milk, water, and juice in its vending machines; and replaced its logos on the machines with kids involved in sports. While it might appear that Coca-Cola is taking an interest in children’s health, the reality is more likely to be the company adjusting to maintain its position to develop brand loyalty among young consumers.[45] Recently, the areas of California, Tennessee, Arizona, Philadelphia, and New York City have barred soda companies from providing any non-

[43] Manning, Steven. “Students for Sale: How Corporations Are Buying Their Way Into America's Classrooms.” *The Nation*. September 27, 1999. Accessed through GoogleScholar on July 21, 2006.

[44] Hays, Constance. “Today's Lesson: Soda Rights; Consultant Helps Schools Sell Themselves to Vendors.” *The New York Times.* May 21, 1999. Section C; Page 1. Accessed through ABI/Inform on July 21, 2006.

[45] Zernike, Kate. “Coke to Dilute Push in Schools for its Products.” *The New York Times*. March 14, 2001: A14. Accessed through ABI/Inform on July 21, 2006.

diet sodas in some or all of their schools.[46] Starting in September 2006, the American Beverage Association issued new guidelines for American schools: no longer will American students have a choice of high calorie sodas. Instead, vending machines will only provide diet sodas, juices, water, and milk.[47]

Outside of schools, Coca-Cola has found other ways to target children. In 2001, Coca-Cola paid Warner Brothers, the producer of Harry Potter movies, $150 million for the right to use Harry Potter in its marketing. Harry Potter writer JK Rowling received $15 million in the deal. The idea was to promote literacy and Coke sales simultaneously. Coke's "Live the Magic" marketing campaign coincided with the November 16, 2001 release of *Harry Potter and the Sorcerer's Stone*. In response to this, the SaveHarry campaign (www.SaveHarry.com) aimed to promote awareness that one 12 oz Coke contains the equivalent of 10 teaspoons of unrefined sugar.[48]

Beyond the Bad Guys

Despite the controversies over Nestlé, McDonald's, and Coca-Cola, there are several food and beverage companies that have risen above and shine as examples of good corporate citizens. In Berkeley, California,[49] Clif Bar has risen from its 1992 launch to the 2nd best selling energy bar in 2005.[50] It is now a $150 million company. At the

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[46] Jacobson, Michael F. "Liquid Candy: How Soft Drinks are Harming America's Health." Washington, DC: Center for Science in the Public Interest, 1998.

[47] www.ameribev.org, accessed November 5, 2006.

[48] Baue, William. **"**Harry Potter Hawks Coke, Inciting Ire Amongst Fans and Consumer Advocates Alike." January 3, 2002. Accessed on July 7, 2006.www.socialfunds.com**.**

[49] Clif Bar will be moving to Alameda, Ca. in 2008.

[50] Schmit, Julie. "Raising the Bar on How Business Gets Done."www.usatoday.com, March 14, 2005. Accessed November 12, 2006.

same time, Clif Bar has shown a commitment to its employees, to the environment, and to the community that far exceeds the initiatives taken by its competitors, Nestlé's Powerbar and Kraft's Balance Bar. Despite an attempted buyout in 2000, Clif Bar remains private; with that status, there are no shareholders to answer to. Yet in such a situation, how does a company find the right balance between doing good and sustaining the company? Is there a threshold for doing good, beyond which a company can threaten its own health and ability to grow and prosper in the future?

On the other coast, New Hampshire-based Stonyfield Farm is the largest organic yogurt producer in the world.[51] By sourcing organic, Stonyfield supports both the environment and organic farmers and provides its customers with a healthy product free of pesticides. In reducing waste in its packaging, Stonyfield shows us that exerting responsibility and lessening one's footprint on the environment can actually increase its financial bottom line.

With over $6.4 billion in annual revenues[52] and a spot for the fourth year among the top 100 Corporate Citizens of 2006 in *Business Ethics* Magazine, Starbucks has also proven profits and corporate social responsibility are not mutually exclusive entities. Chairman Howard Schultz comments, "I'm convinced, more than ever, that we can both do well and do good. We can be extremely profitable and competitive, with a highly regarded brand, and also be respected for treating our people well. In the end, it's not

[51] www.stonyfieldfarm.com: *Stonyfield Farm and Group Danone Partnership Summary*
[52] Starbucks Coffee Company. *Starbucks Corporation Fiscal 2005 Annual Report*. 2006, p.11.

only possible to do both, but you can't really do one without the other."[53] Let's face it, though, there are plenty of highly profitable companies out there with no social mission. So to say that doing good and doing well are inextricably linked is a bit naïve. While Starbucks' do-gooder image generates good PR for the company, there remains a disconnect between the company's social values and the average Starbucks consumer who knows and cares little about the company's values. Most Starbucks consumers' number one priority is high quality coffee. Yet it almost doesn't matter in this case whether they are aware of or care about the company's social mission. They buy into Howard Schultz's values– consciously or not– with each purchase of a $3.65 latte. By customers' willingness to pay these prices over and over, Starbucks can afford to provide its employees with health benefits. So I would disagree with Howard Schultz– the company is not doing well financially because it is doing good deeds. Rather, the company is doing good deeds *because* it is doing well financially. High profits allow the company to go beyond what's expected.

But with Starbucks reaching the scale that it has, the key question to address here is whether the company's CSR efforts are keeping up with its growth. Interestingly, while McDonald's gets constant criticism for the unhealthiness of its products, nobody seems very concerned with the nutrition– or lack thereof– of Starbucks Hazelnut lattes. Like Ben and Jerry's high fat and high sugar ice cream, many of Starbucks' products are not healthy. This is exacerbated by many consumers' decision to choose large serving sizes.

[53] Schultz, Howard and Dori Jones Yang. *Pour Your Heart Into It.* New York: Hyperion, 1997, p.332.

The average Ben and Jerry's consumer, for example, eats an entire pint in one sitting.[54] Furthermore, in the case of Starbucks, we are talking about *coffee*. Would Starbucks have spread to the extent that it has if it were selling a product that was not addictive? It is the very nature of the Starbucks products– drinks often loaded with caffeine, sugar, and fat– that appeals to customers and draws them back again and again.

While the healthiness of Starbucks products is debatable, the social and environmental initiatives the company has taken are indisputably laudable. Chapter Five will examine this company's Corporate Social Responsibility in detail, while Chapter Three will highlight Clif Bar and Chapter Four will examine Stonyfield Farm.

[54] Hollender, Jeffrey. Keynote speech. Ethical Corporation conference. Crowne Plaza Hotel, Philadelphia, June 14, 2006.

Chapter Three: Clif Bar

Staying private

In April, 2000, Clif Bar had the opportunity to be acquired for $120 million by an undisclosed food industry giant. Clif Bar employees spent a significant amount of time and effort researching options and planning for the buyout. Gary Erickson, who only ten years before had been living out of a garage, could earn half of a $120 million dollar package. It seemed a logical move; after all, Clif Bar's competitors, PowerBar and Balance Bar, had been recently bought by giants Nestlé and Kraft, respectively. In the 23rd hour, however, Erickson got cold feet. It was not about the money. Inspired by other privately-held businesses such as Sierra Nevada Brewery, Gary decided to hold out. Yet Gary Erickson's business partner believed Clif Bar could not continue to compete against the food giants with advertising budgets larger than Clif Bar's annual revenues. She wanted out. So instead of cashing out, Gary found the financing to allow him to buy out his partner for $62 million and retain control of the company.[55]

As a result of remaining privately-held, owner Gary Erickson is able to do things for his company that have a social benefit but do not necessarily increase the bottom line. Because he does not have shareholders to answer to, Erickson does not need to make quarterly returns his sole priority. While profitability is essential for any company's health whether there are shareholders or not, Erickson can pursue initiatives simultaneously that he believes are the right thing to do, whether they make money or

[55] Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p.87.

not. He notes, “We will remain privately held to control our destiny… It’s not about short-term gain. It’s about long-term health. And remaining healthy as a business gives us the power to support and steward our brands, our people, our community, and the planet.”[56]

Similarly, the founders of Ben & Jerry’s note that early refusals to be bought out were critical in shaping the company’s mission: “Now we could articulate our purpose: to see whether a business could survive while being a force for progressive social change.”[57] Ben & Jerry’s took philanthropy to another tier; but it passed the golden threshold beyond which its goodwill existed at the expense of the stockholders and employees. While doing good was part of the Ben & Jerry’s brand (indeed, it was about more than good ice cream), its philanthropic model was not sustainable. Many have criticized the subsequent Unilever buyout of Ben & Jerry’s since Ben & Jerry’s does not seem to hold the same zest for social mission it once held, but perhaps the shift was inevitable in order to stay afloat as a profitable company.

Too Much Social Good?

Clearly, an absence of stockholders can be a mixed blessing for a private company. While Ben & Jerry’s showed it is possible to prioritize doing good to such an extent that the financial health of the business suffers, Clif Bar continues to thrive under the freedom of remaining a private company. Of course, people tend to be less critical of a company’s

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[56] Ibid., 259.

[57] Cohen, Ben and Jerry Greenfield. *Ben and Jerry’s Double Dip.* New York: Simon and Schuster, 1997, p.23.

do-gooder actions when profits remain strong and more critical of do-gooder actions when profits are shaky. Few grumble about financially successful Stonyfield Farm's "Profits for the Planet" program in which the company donates 10% of the prior year's profits to environmental causes, especially those supporting sustainable agriculture.[58] It has continued with this initiative despite being bought out by Danone.

As mentioned, remaining private allows the company the freedom to make decisions that are socially responsible but potentially risky and not necessarily cost-effective (Patagonia's revolutionary decision to use organic cotton, for example), but it also presents a different challenge, as illustrated with Ben & Jerry's: recognizing the tipping point beyond which the company is spending too much time and effort promoting the social mission at the expense of retaining a sufficient profit to sustain the company. Finding the appropriate spot for the fulcrum to bear the weight of fiscal returns and philanthropic donations is not clear. When is enough enough?

At one point in Anita Roddick's early days of running the Body Shop, for example, she had to refocus many of her employees who got so caught up in the social mission that they overlooked their primary responsibility of selling products. Indeed, the ability of the company to pursue its social and environmental mission is dependent on its ability to generate healthy profits. Clif Bar, Stonyfield Farm, and Starbucks are in the luxurious position of doing good because they have done well financially. "Profit is like

[58] "Stonyfield Farm and Group Danone Partnership Summary." www.stonyfield.com. updated 4/2004. Accessed March 3, 2005.

oxygen, food, water, and blood for the body; they are not the *point* of life, but without them, there is no life."[59]

A Holistic Philosophy

Clif Bar views itself as a living company, an ecosystem supported by the commitment to sustaining the brand, the business, the people, the community, and the planet.[60] Inspired by social mission-driven companies such as Timberland, Ben and Jerry's, Patagonia, and Working Assets, Erickson made the decision to hire an ecologist, Elysa Hammond, to guide Clif Bar on the path towards organic and reduce the company's footprint on the planet. The company's Sustainability program has been in place since 2001. In purchasing ingredients, Clif Bar is committed to local, all-natural products, with no artificial flavors, colors, or preservatives. "We are not afraid to spend more money to maintain the integrity of our products…We could use artificial flavors but refuse to make use of these chemicals, even if it would save us money…We could certainly buy cheaper ingredients, but that would cost us the integrity and sustainability of our brand."[61]

Each year, the company purchases over seven million pounds of organic ingredients.[62] Clif Bars have earned the label "made with organic ingredients", since they fulfill the minimum of 70% organic ingredients required. To obtain the full "organic"

[59] Collins, Jim, and Jerry Porras. *Built to Last: Successful Habits of Visionary Companies*. New York: Harper Collins, 2002, p.55.

[60] Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p. 246.

[61] Ibid., 253-4.

[62] Hammond, Elysa. "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint." *Clif Bar Sustainability Newsletter,* Summer 2004, Issue #3, p.2.

label, a product must consist of at least 95% organically produced ingredients.[63] "Food grown organically– without the use of toxic pesticides or synthetic chemicals– is better for people and the environment. Supporting organic agriculture just makes sense. This gentler version of farming helps protect our water, air, soils, and wildlife from toxic substances, aids in preserving family farms, and moves us toward a more sustainable food system." [64]

While the amount of organic ingredients in a Clif Bar are likely to make it healthier compared to other non-organic energy bars, energy bars are no substitute for real food. Energy bars were originally intended to be consumed prior to or during a long workout, yet many in today's on-the-go culture grab a Clif Bar as a meal-replacement. While a Clif Bar is certainly better than a Hershey Bar and will provide a slower release of energy, real food is preferable for a meal: "Bars can't compare to fruit, vegetables, lean protein and whole grains."[65]

Clif Bar is committed to making its packaging more environmentally friendly. The company redesigned the caddies used to hold Clif Bars for shipping and display; they are now made with 100% recycled paperboard.[66] In addition, the company no longer uses

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[63] Hammond, "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint." *Clif Bar Sustainability Newsletter*, Spring 2002, volume 2, issue 1, p.4.

[64] Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p. 253.

[65] Grieger, Lynn. "Energy Bars: Health Food or Candy?" www.ivillage.com. Accessed December 19, 2006.

[66] Hammond, Elysa, Editor. "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint." *Clif Bar Sustainability Newsletter*, Summer 2004, Issue #3, p. 2.

plastic shrink wrap on its products. The redesign of the caddies saves the company $450,000 per year.[67]

At the office, the company is striving to produce less overall solid waste by composting and recycling whenever possible. Under this "Zero Waste" philosophy, a company should compost or recycle 90% of its waste that would normally go into a landfill; as of 2006, Clif Bar was at 74%. The company has seen cost-savings in waste reduction: Clif Bar saves $7500 per year in garbage collection fees.[68] The company is also committed to buying recycled materials whenever possible and uses recycled paper for out-sourced printing and in-office paper use.[69]

Other ways Clif Bar tries to offset its ecological footprint are by planting trees and purchasing wind energy credits from *Native*Energy, a Native American-owned wind farm; this carbon offset program targets global warming.[70] In 2003, Clif Bar purchased 5.5 million pounds of CO2 offset from *Native*Energy, the equivalent of removing 340 SUVs from the road for a year.[71] These wind credits are intended to offset the fossil fuel emissions generated by the energy use in Clif Bar's office, bakeries, and business travel. While Clif Bar is currently offsetting 100% of this, the company's Sustainability Manager, Diana Simmons, notes that Clif Bar is now seeking to learn more about its greenhouse gas emissions throughout its entire supply chain (from the farm to the final

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[67] O'Sullivan, Mike. "San Francisco Businesses Highlight Eco-Friendly Practices at Green Cities Conference." www.voanews.com, June 3, 2005. Accessed June 6, 2005. p.2.

[68] Hammond, Elysa, Ed. "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint" *Clif Bar Sustainability Newsletter*. Winter 2006. Issue #4. p.5.

[69] Hammond, Elysa, Ed. "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint." *Clif Bar Sustainability Newsletter*, Summer 2004, Issue #3, p. p.4.

[70] Ibid., 2.

[71] Ibid., 5.

product), as well as its other impacts on the planet, such as water and other resource use. The company hopes someday to eliminate or offset as much of those impacts as possible.[72]

In 2005, Clif Bar expanded this carbon offset program to ski resorts, whose livelihoods are threatened by the reduced snowfall induced by global warming. While it may appear to be hypocritical that an environmentally-responsible company like Clif Bar would choose to support an industry that is inherently so damaging to the environment, the reality is that most of Clif Bar's customers are athletic outdoor-types, many of whom like to ski. Therefore, it makes sense that Clif Bar would choose to try to minimize this industry's footprint rather than support its extinction. Clif Bar will reward two resorts each year for their commitment to the environment. Clif Bar will also purchase enough wind power to offset the energy used by ski lifts at five resorts in the Park City (UT) and Lake Tahoe (CA/NV) areas. In addition, skiers will be able to purchase green energy credits for wind energy to offset the greenhouse gases that cars generate on a ski vacation. Each $2 "Cool Tag" that Clif Bar sells will offset 300 miles of car travel. Finally, Clif Bar will support carpooling to ski resorts by providing free Clif Bars to bus users, which theoretically encourages people to carpool.[73]

In Clif Bar's Cool Commute program, the company has partnered with American Forests to plant enough trees to offset the carbon generated by Clif Bar employees'

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[72] Simmons, Diana. Business for Social Responsibility conference. Grand Hyatt, NY. November 8, 2006.

[73] "Clif Bar Greens Slopes to Fight Global Warming." November 9, 2005. www.greenbiz.com. Accessed November 30, 2005.

commute. In 2003, 1000 trees were planted; the offset was successful.[74] In 2004, the company planted 1000 trees through the Wildfire ReLeaf campaign, which targeted replanting efforts in areas that had been burned in the 2003 forest fires in Southern California.[75]

Of course, even better than offsets would be the incentive for employee carpooling or taking public transportation; in some ways, the idea of offsets is a way for us to keep consuming with a freer conscience about our toll on the environment.

The marketing strategy at Clif Bar is nontraditional. They advertise minimally, avoid coupons in the paper, and skip shelling out for slotting fees that many companies pay supermarkets to get their products in prime eye-level locations on the shelf.[76] As a small company, it simply does not have the budget to act otherwise. Clif Bar reinvests most of its profits back into the company, with the goal of long-term sustainable growth.[77] In 2004 (and 2005), Clif Bar launched a carbon-neutral marketing campaign: several employees drove a bio-diesel bus from Florida to Boston. Not only was this an opportunity to introduce new customers to Clif Bar products, but it was also a chance to educate the public about global warming through Clif Bar's partnership with the Undo It Campaign and Environmental Defense.[78] Since then, other likeminded companies like

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[74] Hammond, Elysa, Ed. "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint." *Clif Bar Sustainability Newsletter*, Summer 2004, Issue #3, p.5.

[75] Ibid., p.6.

[76] Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p. 255.

[77] Ibid, 260.

[78] Hammond, Elysa, Ed. "Moving Towards Sustainability: Working to Reduce Our Ecological Footprint." *Clif Bar Sustainability Newsletter*, Summer 2004, Issue #3, p.2.

Patagonia have launched their own bio-diesel tours. Patagonia shared its Bend, Oregon to Baja, Mexico 2005 tour with customers in a highly creative Flash-driven website, delivered to customers' email inbox as an email with a link. The website included both educational information on bio-diesel technology as well as interesting writings and video on outdoor pursuits from Patagonia employees during their journey. Both Clif Bar and Patagonia recognize that many of their customers care about environmental issues; therefore, these campaigns addressing worthy causes also serve as effective marketing for the companies.

Clif Bar acknowledges that it did not have a formal environmental mission from the start; the sustainability program was not formalized until 2001. According to Elysa Hammond, "As relative newcomers to the sustainability movement, we've learned that pursuing more sustainable business practices is a step that any company can take if they [sic] are committed."[79]

Clif Bar's success in establishing sustainability as a priority shows that sustainability does not need to be ingrained into the company's mission from its birth; rather, it can be adopted and embraced through employees and management making it a priority.

[79] Ibid., p.2

The Workplace

The company prides itself on its attention to its employees: in fact, it was when he was on the verge of selling his business that Erickson recognized the responsibility he felt toward his workers. “We believe if we provide meaningful work as well as something *beyond* work, people will do their jobs well and lead healthier, more balanced lives.”[80] Clif Bar offers perks to its employees, such as health benefits and a 401k, which are pretty typical of other businesses. What is atypical is offering low-interest cash loans to employees that are first-time homebuyers as a match to the down payment they already have. The company also offers a sabbatical program: every seven years, an employee is eligible for a three-month paid leave, which they can extend for another three months without pay. Clif Bar also has a gym, dance studio, and climbing wall on location, offering 20+ fitness classes per week during working hours. Employees get paid for two and a half hours of workout time per week.

The company also offers concierge services on site, so employees can drop off laundry and dry cleaning, get a haircut, obtain car servicing, receive massages, and pick up dinners to bring home. Recreational activities such as basketball tournaments, ski trips, and bike rides are offered. The 9/80 program allows employees to work nine days every two weeks to allow them a three-day weekend every other weekend. While the benefits to employees are obvious, this program also saves fuel by reducing commuting days. “A..healthy place to work is a worthy return on investment.”[81] Indeed, the company

[80] Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p. 266.
[81] Ibid., 276.

is so committed to that aim that it has actually hired a “Wellness Diva,” whose job is to keep all employees healthy.[82]

Clif Bar is not the only company to realize the value of catering to making employees’ lives easier. Google, for example, offers similar onsite perks for employees– massage, gyms, laundry rooms, haircuts, car washing, dry cleaning. According to CEO Eric Schmidt and consultant Hal Varian, “Let’s face it: programmers want to program, they don’t want to do their laundry. So we make it easy for them to do both.” [83] Providing a desirable workplace environment is not just a nice thing to do. It also increased employee productivity and retention, which saves the company money in recruitment and training costs.

The Community

In addition to the benefits that occur on site at Clif Bar, the company believes in giving back to the community. While community initiatives do not directly impact the company’s bottom line, Clif Bar pursues them because the company feels they are the right thing to do. There is no concern that these initiatives are dipping into shareholder profits because there are no shareholders. In its 2080 program, Clif Bar has committed 2080 employee hours annually (the equivalent of one full-time employee) to volunteer projects in the community. In 2004, the program became 20.8 paid hours per person per year and expanded to include international opportunities. *Compassionate Capitalism*

[82] Schmit, Julie. “Raising the Bar on How Business Gets Done.”www.usatoday.com, March 14, 2005, accessed November 12, 2006.
[83] Schmidt, Eric, and Hal Varian. “Google: Ten Golden Rules.” *Newsweek Special Issue.* December 2, 2005. p. 42.

authors Marc Benioff and Karen Southwick note, "Organizations that have service as a core value of their culture will see both intrinsic and external returns."[84] Bill Shore of S.O.S notes that "doing something that counts…[and] has a lasting impact…[is] a basic human need, like water or calcium. We can actually get by with surprisingly little of either, but we hold together better and longer when we get regular servings of each."[85]

Clif Bar also partners with good causes, such as The Breast Cancer Fund. The company increases awareness of breast cancer by placing TBCF's logo on Luna bars wrappers, providing TBCF materials at Luna events, and donating employee time and Luna bars to TBCF fundraisers. Clif Bar also offers its space for trainings for TBCF's Strong Voices Program, whereby women and men meet to discuss their commitment to eliminating the environmental causes of breast cancer. Finally, in Clif Bar's rripL3 program, the company offers grants to groups supporting community, culture, and earth. Employees can also pick a charity and the rripL3 program will match their donation.

Indeed, Clif Bar's model of corporate governance can be contagious, as evidenced by the decision of its legal counsel, Wendel, Rosen, Black & Dean, to become "…the first law firm in the country to be certified as a 'green business' with environmental sustainability as a core value."[86]

[84] Benioff, Marc and Karen Southwick. *Compassionate Capitalism*. Franklin Lakes: The Career Press Inc., 2004, p.17.

[85] Shore, Bill. *The Cathedral Within*. New York: Random House, 2001, pp.5-6.

[86] Bruce Lymburn in Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p. 75.

The decision of Gary Erickson to keep Clif Bar private has given the company the freedom to continue its pursuit of social and environmental initiatives, regardless of how they impact the company's financial returns. In some cases, these CSR initiatives do enhance the bottom line: achieving greater eco-efficiency means less waste and lower costs; providing employees with benefits that genuinely improve their quality of life at work can improve worker productivity and reduce turnover, both of which impact the financial bottom line. Other initiatives, however, such as its alliance with the Breast Cancer Fund, do not show a clear boost to the financial bottom line, but Erickson is able to give the green light anyway because he has no shareholders. Clif Bar shows that staying private keeps things clean. If Gary Erickson had sold out, it is entirely possible that the company might have lost its soul. Yet this is not inevitable. In Chapter Four, we will look at Stonyfield Farm, a company that shows it is possible to be bought out and retain its values.

Chapter Four: Stonyfield Farm

A Unique Corporate Structure

While Clif Bar shows that remaining private has been critical to ensuring it maintained its social and environmental mission, Stonyfield Farm demonstrates that it does not have to be an either-or proposition: being taken over by a larger company does not guarantee a company will lose its soul. While some would argue that this is exactly what happened when Unilever acquired Ben and Jerry's, Stonyfield Farm proves that a different outcome is possible.

As the largest organic yogurt producer in the world, Stonyfield Farm joined a strategic partnership in 2001 with Danone, the French company known for its Evian bottled water, Dannon yogurt, and LU biscuits. Two years later, Danone purchased all non-employee owned shares of Stonyfield stock, giving Danone majority ownership of the company. Danone now owns 85% of Stonyfield Farm, Inc. shares, while Stonyfield Farm Chairman, President, and CEO Gary Hirshberg and employees own the remaining 15%. [87]

What is unique about the Stonyfield transaction that sets it apart from that of other buyouts like Unilever's acquisition of Ben and Jerry's in 2000 is that Gary Hirshberg continues to manage Stonyfield Farm as an independent company and retains majority Board control. He is able to elect three of the company's five board seats. "This

[87] www.stonyfieldfarm.com: *Stonyfield Farm and Group Danone Partnership Summary*.

partnership, staged so as to enable both firms to ‘walk before they run’ has been engineered not only to ensure Stonyfield’s continued management autonomy, but also to ensure that its ambitious organic, environmental and social missions will be unimpeded as well.” [88]

According to Joe Sibilia, CEO of Meadowbrook Lane Capital, a Massachusetts-based company with two seats on the Board at Ben and Jerry’s, the transaction of Stonyfield and the transaction of Ben and Jerry’s were two very different situations. At the time of acquisiton, Gary Hirshberg owned a larger percentage of his company’s stock than Ben and Jerry owned of their stock. Therefore, Hirshberg had more leverage to make a better deal.[89] Because of this situation, one might conclude Hirshberg was in a position to be more patient in researching more acquiring companies before settling on a deal. Hirshberg specifically chose Danone because he believed Danone to be receptive to the Stonyfield mission.[90] One could also argue that there was less incentive for Danone to change things at Stonyfield Farm since Stonyfield Farm was highly profitable at the time of its acquisition, whereas Ben and Jerry’s had been struggling with high turnover in management and feeble stock performance.

Indeed, Danone was a good match for Stonyfield Farm, as both companies hold environmental responsibility, health and nutrition as key components of their respective missions. Stonyfield has been recognized for its waste reduction and energy efficiency, while Danone has risen as a leader in environmental regulation in France and the rest of

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[88] Ibid.
[89] Joe Sibilia, Starting Bloc Conference, Babson College (2/12/05).
[90] Gary Hirshberg, Investors’ Circle conference, Cambridge, MA (10/26/04).

Europe.[91] Both companies lead the industry in creating innovative, nutritious products. In fact, Gary Hirshberg casts aside any doubt that the buy-out sacrificed Stonyfield's ideals. If anything, Stonyfield has influenced *Danone*. After the deal was signed, Danone President Franck Riboud told a journalist from the Wall Street Journal, "Stonyfield is much more than just what is on the balance sheet. Stonyfield represents an ethic and it's an ethic that we at Groupe Danone have to adopt if we're going to be successful in the 21st century."[92]

Because of the unique nature of the partnership agreement, Stonyfield Farm employees, facility, and operations were unaffected by the transaction. Furthermore, Stonyfield Farm's branding, sales, and marketing strategies have been unchanged. Stonyfield has been able to continue giving 10% of its profits to environmental causes.

In this successful partnership, Stonyfield Farm was able to provide an exit for its investors and a bright future. Danone was able to obtain entry into the natural and organic products market in the US with a company that had already established itself as a leader of yogurt and environmental vision. According to Gary Hirshberg, it has, in fact, been a "…win-win-win-win for Stonyfield's customers, shareholders, employees, and for Groupe Danone." [93] Stonyfield customers have been able to continue to enjoy purchasing the high-quality yogurt. Original Stonyfield investors were able to obtain a return on their investment in the buy-out. Employees were able to keep their jobs at Stonyfield, a

[91] www.stonyfieldfarm.com.
[92] Riboud, Franck, as quoted in Phillips, David. "Bringing the Cultural Revolution." *Dairy Foods.* Troy: Dec 2003. Vol.104, Iss.12; p.24.
[93] www.stonyfieldfarm.com.

company whose values remained intact, and Group Danone was able to acquire a profitable enterprise.

Interestingly, the origins of Stonyfield Farm are as humble as Clif Bar's, yet now Stonyfield makes the #1 selling organic and natural yogurt in the U.S. with annual growth of over 20%. Stonyfield currently has 90% of the $155 million organic yogurt market and 6% of overall yogurt sales in the U.S. (Yoplait and Dannon represent #1 and 2 in overall yogurt sales in the U.S.)[94] In the early 80s, Gary Hirshberg was the Executive Director of an organic teaching farm called the Rural Education Center. When it became apparent that the farm needed funding, someone suggested trying to sell the yogurt made by the farm's founder, Samuel Kaymen. With a $35,000 loan in 1983 from some nuns to cover some yogurt producing equipment, the company was born.[95]

While profits have always taken a backseat to social mission for Ben and Jerry's, Gary Hirshberg has shown a clearer sense from the start of the virtue of profits to enable him to carry out his social values. Ben & Jerry's seems to have been less about making ice cream and more about pursuing a social mission through a product as an avenue. It was an arbitrary decision, after all, to launch the company with ice cream rather than pizza. In contrast, Stonyfield Farm has been focused from the start on a healthy financial bottom line, which in turn allows the company to carry out social values.

[94] Masters, Coco. "Yogurt Nation: How Kid-Friendly Marketing and an Explosion of Products are turning an Ancient Food into America's top snack." www.time.com, May 30, 2006. Accessed December 21, 2006.

[95] Phillips, David. "Bringing the Cultural Revolution." *Dairy Foods*. Troy: Dec 2003, Vol.104, Iss 12, p.24.

Sourcing organic

Like Clif Bar, Stonyfield Farm is committed to using organic ingredients for its products. 90% of the company's products are certified as organic.[96] By sourcing organic, the soil benefits from lack of pesticide use. Consumers avoid eating pesticide residues. The product supposedly tastes better. And it supports the organic dairy industry. "Buying locally produced, organically grown food not only improves the taste and nutritional quality of the diet (if for no other reason than that the foods have not traveled so far or been stored for so long) but also supports local farmers, promotes the viability of rural communities, and creates greater diversity in agricultural production."[97] As a demonstration of how successful Stonyfield has been and how much growing demand currently exists for organics, Gary Hirshberg has recently convinced Danone managers in four European countries to develop organic products in 2006. He expects 11 more countries to join this pursuit in 2007. [98]

Stonyfield sells its products to both natural food stores like Whole Foods and Wild Oats as well as to conventional supermarkets. In recent years, superstores like Wal-Mart and Costco have begun stocking their shelves with Stonyfield products.

But deciding to source organic comes with a cost. Consumers now pay a premium for organic products like Stonyfield Farm yogurt. While some argue that the rising

[96] Stonyfield Farm and Group Danone Partnership. www.stonyfield.com, updated 4/2004. accessed 3/3/2005.

[97] Nestle, Marion. *Food Politics*. Berkeley: University of California Press, 2002, p.373.

[98] Masters, Coco."Yogurt Nation: How Kid-Friendly Marketing and an Explosion of Products are turning an Ancient Food into America's top snack." www.time.com, May 30, 2006. Accessed December 21, 2006.

demand for organics in this country will eventually bring the prices down, others argue that the decision of global behemoths like Wal-Mart will ultimately implode the market for organics by creating exceeding demand for a limited supply, and the costs will subsequently *rise*.

Efficient Packaging

While Gary Erickson's argument for CSR at Clif Bar is that it is simply the right thing to do and follows the company's sense of values– it benefits the community, the environment, the consumers, the employees, the community– the argument of Stonyfield's Gary Hirshberg is that CSR is not only the right thing to do, but it also benefits the company's financial returns. These environmental measures at Stonyfield Farm have made the company more efficient and therefore more profitable. Gary Hirshberg notes the value of quantifying change: "If we're not inviting measurement or corroboration of our claims, then we should just stop making them. Because it's all about measurement."[99]

By replacing the plastic lids of its 6 oz. yogurt cups with foil, for example, Stonyfield Farm uses 16% less energy, creates 6% less solid waste, and uses 13% less water.[100] Even before Stonyfield Farm began streamlining its packaging, it used the 6 oz. yogurt lids as an opportunity to promote social and environmental change. For example, some lids (previously plastic, now foil) have encouraged consumers to call members of

[99] Gary Hirshberg in Cohen, Ben and Jerry Greenfield. *Ben and Jerry's Double Dip*. New York: Simon and Schuster, 1997, 156.
[100] www.stonyfield.com. Accessed December 29, 2006.

Congress in order to protest potential budget cuts to environmental programs. Other lids have encouraged consumers to buy organic.

Why bother with CSR? Gary Hirshberg notes that CSR increases customer loyalty.[101] "When I translate what my market research has told me– that my customers buy Stonyfield for taste first, and social responsibility a close second– what that logically means is that I should discount less and put my money into additional socially responsible activities."[102] Therefore, Stonyfield's market research shows that unlike Starbucks customers who do not choose Starbucks for its social mission, Stonyfield Farm customers *do* care about the company's values.

Stonyfield Farm shows that corporate acquisition is not synonymous with loss of identity. Yet this company was special in its ability to retain some autonomy. What happens in a publicly-traded corporation in which shareholders expect quarterly growth? In the next chapter, we will take a look at Starbucks to answer this.

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[101] Gary Hirshberg in Cohen, Ben and Jerry Greenfield. *Ben and Jerry's Double Dip*. New York: Simon and Schuster, 1997, p.136.

[102] Hirshberg in *ibid*, p. 138.

Chapter Five: Starbucks

A Story of Success– Who said anything about coffee?

Starbucks differs from both Clif Bar and Stonyfield Farm in scale and in corporate structure: Starbucks is far larger and publicly-traded. Yet the most obvious similarities all three companies share are success and a strong commitment to CSR. The flourishing of Starbucks can be attributed to two major factors: the mass appeal of the Starbucks experience and the impact of Howard Schultz. What draws people in the door in the first place? After all, they can easily buy a cup of coffee next door at Dunkin' Donuts at a much cheaper price. Starbucks claims its product is about more than coffee.[103] Customers are paying for the whole experience. Referred to as "the home away from home," Starbucks stores "…have become a Third Place– a comfortable, social gathering spot away from home and work, like an extension of the back porch."[104]

According to Ray Oldenburg, author of *The Great Good Place* (1989), "people need informal public places where they can gather, put aside the concerns of work and home, relax, and talk."[105] In Dublin, you have pubs. In Paris, you have cafés. In some parts of America, you have churches which serve as community gathering points. Oldenburg argues that the suburbanization of America has caused a decline in community meeting spots. [106] Yet this theory that Starbucks is appealing mostly due to atmosphere is

[103] Schultz, Howard and Dori Jones Yang. *Pour Your Heart Into It.* New York: Hyperion, 1997, p. 249.
[104] Ibid., 5.
[105] Ibid.,120.
[106] Ibid.,120.

contradicted by the fact that most Starbucks customers get coffee to go. So perhaps their motivation for coming stems from the quest for a good cup of coffee after all.

Unlike many American establishments, nobody at Starbucks hovers over customers who have parked themselves at a table for hours on end with a book or laptop. Some people have admitted to writing a thesis or a novel in their local Starbucks, treating it like an office. Oldenburg also notes the recent trend of telecommuters has increased demand for a place like Starbucks, where people working in home offices can step into a store for a change of scene and some sought-after human interaction.[107] Yet from my experiences at Starbucks in different corners of the globe, I have observed that most of the individuals who walk in might be looking for a change of scene, but they are not looking to connect with strangers. In fact, it is often exactly the opposite. They are looking for a place to be anonymous, a place with a wireless connection, a place to work on that novel in a comfortable chair. Furthermore, *because* some people find it so comfortable to stay for hours on end, it is not uncommon to have to wait for twenty minutes until a laptop-sporting coffee drinker feels guilty enough to pass up his seat.

Not only can the customer stay as long as she likes, but she can also order whatever she likes. The Starbucks experience is about personalization. If you ask for a grande decaf low-fat Hazelnut latte, you will not get coffee grounds thrown into your face. This is one place where it is totally acceptable– dare I say *encouraged*– for customers to make highly-customized orders. Yet this level of personalization is not without its costs. In 2006's 3rd quarter conference call to announce earnings, Starbucks

[107] Ibid.,121.

management attributed the disappointing same sales growth the previous quarter (summer 2006) to the long wait times for baristas to make Frappucinos during the morning rush of the summer months. Surely if people were just buying a cup of joe, the line would move significantly more quickly (and the profit margin would be considerably smaller).

One has to wonder whether the Starbucks Experience would be nearly as popular if the product were not the addictive beverage it is. While caffeine is in quite a different category from cocaine or other hard drugs, the fact remains that caffeine is addictive. Furthermore, most Starbucks customers do not order a cup of black coffee. Most order coffee drinks like lattes and frappuccinos that are laden with sugar. While scientists in the past have tended to classify those craving sugar as merely experiencing a psychological dependence, recent studies at Princeton University have shown physical dependence on sugar can develop as well. "Refined sugar is…addictive in the sense that your body suffers withdrawal symptoms if [it] is removed from your diet… Recent studies suggest that refined sugar activates opioids, the same brain chemicals that fuel heroin and morphine addiction, with similar results at a lesser magnitude."[108]

Interestingly, the Starbucks experience we know today is quite different from that of the company's early days. Starbucks did not begin as a coffee bar. Initially, it did not brew and sell coffee by the cup; rather, it sold bags of beans to customers. These beans were bought from Peet's,[109] representing the beginnings of an interesting dynamic between the companies in the ensuing decades (See figure 1 timeline). Occasional tasting

[108] http://www.rotten.com/library/crime/drugs/sugar. Accessed December 17, 2006.
[109] Schultz and Yang, 34.

samples gave customers the opportunity to stay a bit longer to hear more about the coffee.[110] Even then, it was about more than just coffee beans.

Some say Starbucks is a yuppie establishment where customers pay a premium on a product they can get elsewhere or make themselves. How many financial gurus have you heard recommend giving up a latte a day as a way to save a large chunk of change (about $1,332) by the end of the year? Yet today a wide demographic frequents Starbucks.[111] A trip to Starbucks is "an affordable luxury," within the reach of most on a daily basis.[112] It is not a Ferrari, a trip to Paris, or even a nice dinner. It is a three dollar taste of the good life. (Or an expensive hobby that seems affordable because one pays for it a little bit every day).[113]

But the intrigue of the Starbucks experience is not enough; the company's success rests largely in the vision and persistence of Howard Schultz. Early on, he had dreams of an enterprise, not just a mere store. To carry out his vision, he was not afraid to pound the pavement. One could argue that this ambition and determination sprang from growing up with a father who struggled to support his family through a string of different blue collar jobs. In one of his early years of fundraising to get the company off the ground, Schultz asked 242 people for financial support. 217 said no.[114] Incidentally, those initial investors

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[110] Ibid., 33.
[111] Serwer and Bonamici.
[112] Schultz and Yang, 307.
[113] Najam, Adil. comments. December 6, 2006.
[114] Schultz and Yang, 73.

who decided to take a gamble on Schultz's idea watched the stock increase 5,775% since Starbucks went public in 1992.[115]

Despite his ambition, Schultz had the sense to take a reality check. When his company reached a certain size, Schultz recognized his entrepreneurial vision was not enough. Unlike many other entrepreneurs, he recognized his own limitations, tucked his ego under his pillow, and relinquished control when he saw the need to bring skilled players to the table in order to take the company to the next level. In 1994, he hired Orin Smith as president and Chief Operating Officer to take on the day-to-day management of the company; Schultz remained chairman and CEO. Orin Smith's tenure came to a close in the spring of 2005, and leadership of the company now rests with Jim Donald.

In addition to his prudent judgment in relinquishing control, one of Schultz's greatest strengths has been the priority he has placed upon people, which is reflected in the company's mission statement. (See Figure 1 in Appendix). From the customer to the employee, he recognizes that product alone cannot make a company successful. Nurturing customer loyalty is critical after all, because the average sale is only $3.50. The company depends upon repeat customers.[116] Schultz notes, "In a store or a restaurant, the customer's experience is vital: One bad encounter and you've lost a customer for life. If the fate of your business is in the hands of a twenty-year-old part-time worker who

[115] Horovitz, Bruce. "Starbucks Aims Beyond Lattes to Extend Brand." www.usatoday.com. May 19,2006.
[116] The average Starbucks customer comes in eighteen times a month. Schultz and Yang, 247.

goes to college or pursues acting on the side, can you afford to treat him or her as expendable?"[117]

In fact, it is because the customer is so precious that Schultz was adamant about hiring good employees to provide unparalleled customer service. Some would point out that Starbucks' hiring of more than 500 people a month[118] is in itself a demonstration of social responsibility, since providing jobs benefits a community. But Schultz feels that merely providing jobs is not enough. He wants employees to have a positive experience; more importantly, he wants them to stay. "There is no more precious commodity than the relationship of trust and confidence a company has with its employees."[119] It shows. The turnover rate is less than half the industry average.[120] Barista turnover[121] is 60-65% per year compared to 150%-400% per year for employees at other US fast food chains and retailers, where stores actually *encourage* turnover with the idea that it keeps wages and benefits down.[122] At McDonald's, for example, the business model revolves around the idea of assigning easily-learned tasks to fresh employees.

It is fair to assume that this lower turnover at Starbucks is largely due to the company's decision in 1988 to start offering full health benefits to part-timers working at least 20 hours per week. Starbucks subsidizes 75% of the coverage. "So many service-

[117] Schultz and Yang, 125.
[118] Ibid., 282.
[119] Ibid., 57.
[120] Ibid., p. 6.
[121] A "barista" is a Starbucks employee who makes coffee drinks behind the counter.
[122] Schultz and Yang, 127.

oriented companies…regard… benefits for entry-level people as a cost to be minimized, not an opportunity to attract and reward good people."[123] In fact, Starbucks spends more per year on its employees' health insurance ($200 million for 80,000 employees)[124] than it does on coffee beans, despite paying premium prices for its coffee.[125]

Providing health benefits is not just socially responsible; it also saves the company money in the long run. Schultz notes it costs $3000 to train a new hire compared to $1500 a year to provide that employee with full benefits. "Part-timers…are vital to Starbucks. In fact, they represent two-thirds of our workforce…We depend on people willing to work short shifts on a steady basis."[126] Starbucks also offers health care coverage to all employees with a terminal illness. The company pays medical costs from the time the employees are not able to work until they covered by government programs (usually 29 months).[127] While Starbucks' commitment to providing health benefits is laudable, how long can the company continue to cover these rising health care costs without a toll to its bottom line? Schultz himself notes, "It's completely unsustainable."[128] Furthermore, these health benefits so praised in the United States are meaningless abroad, where employees receive health care from their governments with or without the help of Starbucks. Indeed, this differentiation factor in the U.S. is a moot point overseas and makes Starbucks less attractive as an overseas employer.

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[123] Schultz and Yang, 125.
[124] Gross, Daniel. "Health Care for All: Big Business Makes a Case." *AARP Bulletin*. January 2007.
[125] CNBC. "American Made." April 17, 2006.
[126] Schultz and Yang, 127.
[127] Schultz and Yang, 129.
[128] Schultz in Gross, Daniel. "Health Care for All: Big Business Makes a Case." *AARP Bulletin*. January 2007.

If it is any indication of the relationship Starbucks has with its employees, the company calls them "partners" because it offers them a long-term stock option plan called Bean Stock.[129] This creates incentive for employees to do a good job and to stay at the company. Employees actually have a vested interest in keeping customers happy, as opposed to clerks at most retail stores, where the employee and the company's performance are disconnected. It is true that success breeds success. The company also benefits from employees pumping money back into the company.

The strength of the Starbucks brand has also drawn skilled managers, who have helped the company reach new heights. [130] To maintain this positive relationship with its employees, Starbucks conducts surveys and audits. One 1996 survey by ARC Consulting showed that 89% of employees were proud to work at Starbucks, and 100% thought it was important to work for a company they respected."[131] Starbucks has earned a spot seven times on Fortune Magazine's "100 Best Companies to Work For."[132] Whole Foods has been ranked on that list for nine consecutive years.[133]

Schultz's dedication to his employees can be seen in his response to tragedy. In 1997, three Starbucks employees were murdered in an attempted robbery of a Washington, D.C. Starbucks store. Schultz immediately chartered a plane, arriving within hours to provide support to the families. He stayed the entire week and announced that all

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129 Schultz and Yang, 133.
130 Ibid., 192.
131 Ibid., 286.
132 Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p. 71.
133 www.wholefoodsmarket.com. Accessed January 25, 2006.

future profits from the store would be donated to violence prevention and victims' rights.[134]

Starbucks claims one of the keys to its success has been the company's decision to avoid franchising, or surrendering control outside the company's walls. "Keeping true to our ideals while expanding the brand requires great discipline and a delicate sense of balance. We want everybody to experience our coffee, yet letting someone else serve it means giving up the reins."[135] Yet eventually, the temptation of profit opportunities proved to be too alluring to turn down, and Starbucks surrendered the control which it had claimed to be such a critical element of its success. Starbucks teamed up with Host Marriott, Aramark, United, and Pepsi, among others. Much of its recent international expansion has been a result of partnerships.

In February 2005, Starbucks teamed up with Jim Beam Brands to launch Starbucks Coffee Liqueur and, eight months later, Starbucks Cream Liqueur. Market Watch, a national publication on alcoholic beverages, named Starbucks Coffee Liqueur "The Best New Product of 2005."[136] Extending the Starbucks brand into these products has earned its share of controversy. While Starbucks insists it is targeting its liqueurs to an adult audience, some saw Starbucks' foray into alcohol as socially irresponsible. Some socially responsible investment funds such as Pax World screen against alcohol; Pax World immediately withdrew its investment in Starbucks after the company launched its

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[134] Serwer and Bonamici.
[135] Schultz and Yang, 174.
[136] Press release from: Starbucks Corporation, February 8, 2006. www.csrwire.com.

liqueurs.[137] At Pax World's annual shareholder meeting on October 26, 2006, however, the mutual fund announced that it would be modernizing its screens in order to be more relevant in a changing world. According to the Funds' Proxy Statement, adjusting the "sin-stock" screens for alcohol and gambling "will enable the Funds to focus on the social effects of product abuse when determining whether a particular security is an appropriate investment, rather than employing a per se exclusion based on the fact that a company may derive some small amount of revenue from such activities."[138] For example, it noted that it was a shame to divest from a company as socially responsible and successful as Starbucks. Alcohol is not the primary product at Starbucks; it is a coffee company that makes a liqueur. Similarly, Pax World noted that it was also a mistake to divest from Yahoo simply because some web surfers happen to choose to gamble on line.[139] Pax World has not yet reinvested in Starbucks, but it would not be surprising if it did.

Some critics of Starbucks say there seems to be a Starbucks on every corner. Of course, die-hard fans would not view this as a problem. It is true that the company opened 634 new stores in fiscal 2004.[140] It is currently opening six new stores worldwide every day.[141] It seems surprising, in fact, how many Starbucks stores are located in close proximity to one another. These are not franchises; it is simply the company's recognition that there is sufficient demand. The downside for the company is the new store typically

[137] Starbucks Coffee Company Fiscal 2005 Corporate Social Responsibility Report, p. 31.
[138] "PaxWorld Modernizes it Social Investment Criteria." www.paxworld.com, Accessed December 17, 2006.
[139] Ibid., Accessed November 5, 2006.
[140] Starbucks Coffee Company, *Starbucks Corporation Fiscal 2004 Annual Report,* p. 13.
[141] Ben Packard, Director of Environmental Affairs, Starbucks. Interview. January 10, 2007.

steals some of the old store's sales (comps), exerting the cannibalization effect. The result of this is lower comps, which affects the stock price of the company.[142]

The downside for the community of this rapid expansion is that Starbucks has put many local coffee houses out of business the way Barnes and Noble has with local bookstores and Home Depot with local hardware stores. While it is true that many small coffee shops have gone under when Starbucks has entered their town, the reverse has also proven true: in some towns, proximity to Starbucks has actually helped other coffee houses which have benefited from the spillover.[143] Many of these coffee houses have also started selling their own value-added drinks like lattes and blended smoothies. Some were able to get into business as a direct result of the new demand for specialty coffee drinks created by Starbucks. Michael Coles, CEO of Caribou Coffee, notes of his 500 store business, "I got into the business because of what they created."[144]

The pace and affordability of the expansion of Starbucks can be partly attributed to its 1991 decision to do all its architecture and design in-house. While McDonald's owns its real estate and builds freestanding stores, Starbucks signs leases and moves into existing spaces of different size and shape.[145] In 2005, the company built its first store targeting standards of LEED (Leadership in Energy and Environmental Design). Located in Hillsboro, Oregon, the store boasts cabinetry and flooring made with recycled

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[142] Schultz and Yang, 187.

[143] "Counting Beans-Despite Starbucks Jitters, Most Coffeehouses Thrive," *The Wall Street Journal,* Sept. 24, 2002, as seen in Starbucks Coffee Company. "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report,* p. 36.

[144] Coles, Michael, as quoted in Bruce Horovitz. "Starbucks Aims Beyond Lattes to Extend Brand." www.usatoday.com, May 19, 2006. Accessed May 19, 2006.

[145] Schultz and Yang, 310.

materials, energy-efficient lights, less toxic paints, and a design that takes advantage of greater natural daylight.[146] Starbucks received gold certification for this building by the U.S. Green Building Council under the existing standards for Commercial Interiors (known as LEED CI). For two reasons, the Hillsboro store is somewhat of an anomaly, however: it was constructed within the entirely gold-certified Hillsboro City Hall building, and the Starbucks store was certified under the existing standards for *Commercial Interiors*. Starbucks Director of Environmental Affairs, Ben Packard, is currently working with the U.S. Green Building Council to develop LEED criteria more appropriate for *retail* stores that could be applied to future Starbucks stores.[147]

Starbucks witnessed an increase in competition in the '90s, as coffee stores across America sprouted up with lattes and cappuccinos; espresso stands could now be found on remote highways of Alaska. This increased competition– both here and abroad– served as a catalyst for Starbucks to speed up its own expansion in the mid '90s. The company reached the point in the '90s where it was able to open a store every business day.[148] In fact, when it appeared that the company was reaching its goals of becoming the number one retailer and brand of specialty coffee in North America, Starbucks turned its focus to the international market, particularly China.[149] When will the company slow down? Schultz notes, "If we were to put the brakes to our growth, even for just a year, we would disappoint shareholders, who expect continuous rapid earnings growth."[150] But when is

[146] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.56.
[147] Packard, Ben. Director of Environmental Affairs, Starbucks. Interview. January 10, 2007.
[148] Schultz and Yang, 194.
[149] Ibid.,196.
[150] Ibid.,287.

enough enough? Is bigger always better? According to shareholders, yes, but this is just one perspective. Is the world better of with a Starbucks on every corner?

Starbucks is not immune to the challenges of aggressive expansion. Schultz asks, "How do we grow big but maintain intimacy with our people?[151] Can a company double and even triple in size but stay true to its values? How far can you extend a brand before you dilute it? How do you innovate without compromising your legacy?" [152] Ben Cohen of Ben and Jerry's "..once equated corporate growth with spiritual death."[153] One could argue that in the case of Ben and Jerry's, this proved to be true: its growth and subsequent buyout by Unilever has hampered the company's execution of the founders' original social mission. 1994, Ben and Jerry's employee Elizabeth Bankowski actually asked for the company to be removed from *The 100 Best Companies to Work For in America* because she felt it was inaccurate.[154]

The international expansion of Starbucks creates an additional ethical issue beyond taking Mom and Pops stores out of business. Many argue that Starbucks overseas is not unlike McDonald's overseas, representing American cultural imperialism rearing its ugly head. Are we moving closer towards one global homogeneous culture? From Sevilla (Spain) to Bangkok to Kuta (Indonesia), Starbucks stores are overflowing with Americans traveling or living overseas. They often gravitate to Starbucks for a familiar culinary experience. After being out of their element for a few days (or weeks or

[151] Ibid., 276.
[152] Ibid..197.
[153] Carlin, Peter. "Will Rapid Growth Stunt Corporate Do-Gooders?" *Business and Society Review*. Issue 93. Spring 1995. p. 38.
[154] Ibid.

months), they appreciate a familiar spot. Although there are a few local additions on every menu (such as Kiwi slush in Thailand), customers know what to expect. The signature drinks– the lattes, the Frappuccinos– are there and taste the same, and the couches and the experience are similar. Furthermore, many locals like the opportunity to experience American brands like McDonald's and Starbucks. So while the sight of golden arches and hazelnut lattes in countries outside the U.S. might be disturbing to some, the popularity of McDonald's and Starbucks outside the U.S. demonstrates that many people– locals and American expats alike– feel otherwise and enjoy their Big Macs and Frappuccinos.

Social Responsibility

"To reflect the collective values of our partners, we believe Starbucks as a company should support worthy causes in both the communities where our stores are located and the countries where our coffee is grown."[155]

While some accuse Starbucks of representing the epitome of globalization's ills, others recognize that it is a leader in Corporate Social Responsibility. In its initiatives along the coffee supply chain, its commitment to the environment and the community, and its health care for employees, Starbucks is indisputably a leader.

Coffee

Among the most impressive initiatives in social responsibility at Starbucks are its role in the community and its commitment to sustainability by purchasing conservation (shade-grown), certified organic, and Fair Trade Certified coffee. In fiscal 2005,

[155] Schultz and Yang, 293.

conservation (shade grown) coffee and organic coffee accounted for 0.6% and 3% respectively of Starbucks' total coffee purchases. Fair Trade Certified coffee accounted for just 3.7% of Starbucks' total coffee purchases.[156] While this appears to be a small amount by percentage, it has made Starbucks largest buyer of Fair Trade certified coffee in North America.[157] While Starbucks seeks to increase annually its purchase of Fair Trade certified coffee, only 3% of the world's coffee farmers participate in the system.[158]

"Starbucks is not only a brand but also an importer, a manufacturer, a retailer, a wholesaler, and a direct-mail business."[159] Therefore, the company is capable of impacting others along many levels of the supply chain, from the farmer to roaster to packager to retailer to customer. Starting with its coffee purchasing, Starbucks has made a concerted effort to purchase conservation (shade-grown), certified organic, and Fair Trade Certified coffee.[160] Much of the coffee purchased by Starbucks is certified in more than one of the three categories. "Yet insisting on certification to appease Northern customers can mean that the poorest small farmer is cut out in favor of larger growers who can afford expensive certificates."[161] In the end, it appears that the more one learns about the complexities of the coffee industry– and the fair trade industry, in particular– the more difficult it is to decide as a consumer what in fact is the most socially responsible purchase.

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[156] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.23 and p.25.
[157] Ibid., 23.
[158] Ibid.
[159] Schultz and Yang, 261.
[160] Starbucks Coffee Company, "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report*, 2005, p.26.
[161] Najam, Adil. comment. May 2005.

The steep decline in world coffee prices in recent years due to the increase in coffee production has paid a heavy toll on the farmer. Fair Trade, paying farmers a fair wage (more than the market price) has been a way to mitigate their predicament. The impact of low coffee prices extends beyond the plight of the farmer; there has even been a significant environmental impact. First, rainforests have been replaced with coffee plantations. Low prices have led to new farming methods such as strip harvesting, a cheaper way to gather the coffee. Higher-yield coffees are now grown in full sunlight, requiring high agrochemical usage. The result is an inferior product, not to mention environmental harm. As the Audubon Society notes, there is evidence that even the bird population is affected: its habitat has been destroyed. The response of Conservation International, an environmental non-profit, is to promote conservation (shade-grown) coffee. Not only is the environmental impact of shade-grown coffee lower, but the quality of the coffee is higher. The return to the grower, however, may be less.[162] While Starbucks has not lowered its store prices to mirror the decline in world coffee prices, the company did increase their prices earlier in response to market reaction to world coffee prices.

In 1999, Starbucks teamed up with Conservation International to help ensure the environmental standards of Starbucks were being met. Conservation International started the Center for Environmental Leadership in Business (CELB) as a means of getting the private sector more involved in the community. To support shade-grown coffee practices in Chiapas, Conservation International set up a Conservation Enterprise Fund to lend farmers money at low interest rates. To establish the fund, the International Finance

[162] Najam, Adil. comment. May 2005.

Corporation (IFC) provided a low-interest loan of $250,000 and EcoLogic Enterprise Ventures (Cambridge, MA) invested $150,000 guaranteed by Starbucks.[163] The Fund turned out to be a success. According to Conservation International CEO, Peter Seligmann, “Our project in Chiapas has resulted in a 40% average increase in coffee farmers’ earnings, a 100% growth in the cooperatives’ international coffee sales and $200,000 in non-Starbucks loans to farmers’ cooperatives.”[164]

Starbucks established a Corporate Social Responsibility (CSR) department in 1999 to oversee many issues, including environmental affairs and shade-grown coffee. The role of CSR is to bring together all parties on issues, while also ensuring accountability within the company at all levels.

Working with Conservation International and promoting social responsibility is good PR for Starbucks. As a company, it is aware of the concerns of shareholders, consumers, employees, and members of the community. Serving as a leader in the industry in CSR could influence other coffee companies to follow the example, which could create a domino effect of positive change within the coffee industry.

While it is impossible to prove, it is likely that the recent CSR initiatives at both Peet’s and Dunkin’ Donuts are riding Starbucks’ CSR wave. The website of Peet’s lists programs such as medical and dental insurance for full and part time employees, a recycling program, philanthropic measures for international and local communities, and a

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[163] Austin, James E. and Cate Reavis. “Starbucks and Conservation International.” HBS Case Study 9-303-055. Rev. May 1, 2004, p.11.

[164] Ibid., 12.

commitment to working with coffee communities to improve the coffee and the lives of the coffee farmers from whom Peet's sources.

Dunkin' Donuts states on its website that 100% of its espresso beans are fair trade, certified through TransFair. This means if you order an espresso, latte, or cappuccino at Dunkin' Donuts, it will be fair trade. Yet the bulk of Dunkin Donuts customers buy brewed coffee, which is *not* fair trade. Dunkin' Donuts also has a "Tree to Cup" program, which appears as though it might be a copycat of Starbucks' C.A.F.E. practices, but in fact, the program only deals with quality along the supply chain; it does not deal with social or environmental issues.[165] In other words, Dunkin' Donuts' Tree to Cup program ensures the company obtains high-quality coffee beans, but it does not concern itself with paying fair wages to farmers or with ensuring high environmental standards on the coffee farms.

In September, 2004, Starbucks, Conservation International, and USAID teamed up to create the Conservation Coffee Alliance, which supports projects in Mexico, Costa Rica, and Panama. USAID has provided a grant of $1.2 million to Conservation International over a three-year period.[166] Perhaps Starbucks would be more effective in directly supporting growers rather than donating to CI, already one of the richest NGOs in the world.[167]

[165] www.dunkindonuts.com. Accessed November 5, 2006.

[166] Starbucks Coffee Company, "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report*, 2005, p.26.

[167] Najam, Adil. comment. May 2005.

Starbucks must navigate a delicate balance between remaining profitable while exercising social responsibility. While some customers demand that Starbucks buy shade-grown coffee, other customers do not even know what this means, nor do they care. Their primary focus is on buying a high-quality cup of coffee– or killing time on a plush couch, as the case may be. Starbucks cannot neglect this customer just because shade-grown supporters might be more vocal. The biggest concern for Starbucks in supporting shade-grown coffee is maintaining a high-quality product. As a business, Starbucks needs to remain profitable. Yet this disconnect between the company's values and those of most customers deserves attention. I would argue that Starbucks' do-gooder mission does not necessarily bring in more customers. Yet it ought to continue the path it is on for two reasons: first, the company is making a positive impact on coffee growing communities and serves as a role model for other businesses; and second, its social responsibility is good business, even if the customers are not responding to these CSR initiatives. Keeping the supply chain competent, satisfied, and transparent is important; furthermore, greater environmental efficiency means a less wasteful business. Finally, it is possible that acting now on a voluntary basis to help combat climate change could give Starbucks an advantage if the day ever arrives in this country when emissions are regulated.

It is interesting to note that while the company has spent a considerable effort to purchase organic coffee, it continues to purchase milk– an ingredient many customers take with their coffee drinks– with the growth hormone rBST, also known as rBGH. While Starbucks notes that it continues to provide organic milk and soy milk upon request as alternatives for customers, it cannot justify providing only organic milk in its stores without increasing its prices. Starbucks claims that there is not currently enough demand from customers to make this switch.[168] Furthermore, even if Starbucks wanted to make a full switch entirely to organic milk, the current supply would not be sufficient, argues Ellen Feeney, Director of Responsible Livelihood at Whitewave Foods Co. (maker of Horizon foods).[169]

In response to Starbucks' continued use of rBGH and criticism over the low percentage of fair trade coffee purchased and actually served as Brew of the Day, the Organic Consumers Association launched a National protest week against Starbucks from June 19-25, 2006. The Association's major goals are to convince Starbucks to eliminate purchasing milk made from cows injected with rBGH and to increase the company's purchasing of fair trade coffee.[170] Starbucks has spent three years researching ways to provide rBGH-free milk[171] and recently announced progress in this area: "27 percent of the dairy [it] buy[s] is already rBST-free and 37 percent will be rBST-free starting in January, 2007."[172]

In 2000, when Starbucks began buying fair-trade coffee, it developed a relationship with Trans Fair, the same non-profit Dunkin' Donuts has recently begun using to certify its fair trade espresso beans. Starbucks paid Trans Fair a fee of $.10 per

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[168] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.29.

[169] Feeney, Ellen. Ethical Corporation Conference: "How to Communicate your Corporate Values to Consumers." Crowne Plaze Hotel, Philadelphia, June 14, 2006.

[170] www.organicconsumers.org/Starbucks. Accessed May 26, 2006.

[171] Ben Packard, Director of Environmental Affairs, Starbucks. "Corporations and Environmental Challenges: A Discussion of Best Practices." panel at Net Impact conference, The Kellogg School of Management, October 28, 2006.

[172] "Starbucks Commits to more rBGH-free milk!" Food & Water Watch, Dec 6, 2006. www.organicconsumers.org. Accessed December 11, 2006.

pound for its help in the purchase of fair-trade coffee. Yet this coffee often did not meet the company's quality standards. It can be difficult to enforce quality standards all along the supply chain. According to Starbucks then-CEO Orin Smith, transparency within the supply chain is critical[173] since there is a large disconnect between farmer to consumer, with many steps in between. During the Fair Trade panel at Tufts University on October 20, 2004, Professor James Tillotson alluded to the inconsistent results Starbucks has had with buying fair trade coffee. He said the quality has been so bad at times that store managers have not known what to do with it. Kevin Martinez, formerly Director of Community Affairs at Starbucks, notes that for coffee connoisseurs, some of the fair trade blends just do not cut it.[174]

It can be difficult to convince farmers to change their techniques to pursue shade-grown planting, since it is often less profitable. The risk of failure means the prospect of not feeding their family. Buying Fair Trade shade-grown coffee is more expensive for Starbucks. It is also difficult to monitor, when you consider that Starbucks buys indirectly from thousands of farms in about twenty countries. It is difficult to inspect working conditions everywhere.[175] Yet surely Starbucks would find solutions to these challenges if Fair Trade coffee were a priority for the company.

Starbucks' coffee quality manager, Andrew Linneman, suggests that perhaps the low sales in Fair Trade, shade-grown coffee is the company's fault. Perhaps it is the

[173] Smith, Orin. Net Impact Annual Conference, Keynote Speech. Columbia Business School, New York, Nov.12,2004.

[174] Martinez, Kevin. Lecture at Harvard Business School. October 25, 2006.

[175] Schultz and Yang, 298-299.

responsibility of Starbucks to educate the customer on the value of purchasing Fair Trade coffee from small farmers in the same way it convinces customers to pay more for a high quality Espresso. After all, how can one expect a consumer to choose Fair Trade shade-grown coffee without knowing what it is? U.K customers, for example, have shown more demand for Fair Trade coffee, so Starbucks supplies it in its UK stores every day.[176] In fiscal 2005, the company introduced Café Estima Blend Fair Trade Certified Coffee in its US and Canada retail stores and in Costco stores. Despite gains in farmers' environmental awareness and knowledge, there were still inconsistencies among the many farmers.

As Orin Smith noted in his November 12 speech, there is a point at which we need to stop blaming the corporation and start looking inward when we consider our moral obligation to the next generation. It is up to us as individuals to make our voices heard by using our purchasing power to drive change. After all, if we do not purchase fair trade coffee, how can Starbucks continue to support it?[177]

In 1995, Schultz established a Code of Conduct which included guidelines for dealing with coffee suppliers abroad. These ideas could be communicated with the entire coffee industry, outlining how the company could be held accountable for specific measurable effects. "Starbucks' commitment to Do Our Part" was created as a

[176] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.42.

[177] Unless noted, all paragraphs related to Conservation International taken from my previous paper, "Starbucks and Conservation International," for Professor Rappaport's Corporate Management of the Environment class, Nov.16, 2004, with research from Austin, James E. and Cate Reavis, "Starbucks and Conservation International," Harvard Business School Case Study 9-303-055, Rev. May 1, 2004.

framework for short-term goals. Today, "Do Our Part" has evolved into Coffee and Farmer Equity (C.A.F.E.) Practices, socially responsible buying guidelines established in fiscal 2004 which can serve as a model for others in the industry. After the prerequisites of quality and economic transparency have been met, Starbucks suppliers are rated on a points system including 28 social and environmental indicators.[178] In 2004, the company set up the Farmer Support Center in Cost Rica; this allows Starbucks experts in coffee and sustainability to work directly with farmers.[179] Those who continue to criticize Starbucks for not purchasing more fair trade coffee are displaying their ignorance of Starbucks' existing coffee-purchasing guidelines: C.A.F.E. Practices is a much more comprehensive certification process that takes into account a fair living wage *and* environmental concerns. In contrast, Fair Trade is largely limited to fair wages. Fair Trade also discriminates against farmers who are growing coffee in a sustainable manner but are not able to afford the Fair Trade certification. Frankly, Starbucks would be doing greater good by ending its support of niche fair trade coffee and shifting entirely to sourcing 100% C.A.F.E. Practices certified coffee. It is likely that the company will continue to purchase a percentage of fair trade coffee, though, as a defensive measure to combat activists' criticism.

Certifications aside, Starbucks pays premium prices to farmers, period. Starbucks paid, on average, $1.28 per pound for its 312 million pounds of coffee purchased in fiscal 2005. This is 23% higher than the New York "C" market price (the worldwide standard)

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[178] Starbucks Coffee Company. *Corporate Social Responsibility Fiscal 2005 Report*, p.18.

[179] Starbucks Coffee Company, "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report*, 2005, p.1.

during that period.[180] This roughly mirrors the 25% premium over competitor Dunkin' Donuts that Starbucks charges for a cup of brewed coffee.[181] So perhaps whether or not the coffee has earned the Fair Trade certification is irrelevant; what *is* relevant is that Starbucks is paying farmers more than it has to. By establishing the C.A.F.E. practices as a standard, Starbucks has successfully merged several of the separate social and environmental certifications into one set of criteria.

Environment

In addition to its impact on the coffee industry, Starbucks' role in environmental issues can be seen in other ways. Due to the high volume of Starbucks consumers (over 35 million weekly around the globe),[182] Starbucks uses a significant number of disposable cups every day. In the US alone, the company sells four million coffee drinks each day.[183] Initially, Starbucks served coffee in double cups to protect customers' hands from the hot coffee. The company considered switching to polystyrene, which would have saved $5 million a year.[184] Instead, in 1995, Starbucks opted for a paper sleeve to replace the double cup method. After printing the Starbucks logo on it, this did not save the company any money, but Starbucks made the switch anyway. After further research, the company cut down on waste by developing a new cup that did not need the protective sleeve. In the fall of 2004, Starbucks went a step further by announcing in the November 17, 2004 edition of *The New York Times* that 10% of its cups would be made from

[180] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.17.
[181] Symonds, William C. et al. "A Java Jolt for Dunkin' Donuts." www.businessweek.com. December 20, 2004. Accessed December 21, 2006.
[182] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.46.
[183] Horovitz, Bruce. "Starbucks Aims Beyond Lattes to Extend Brand." www.usatoday.com, May 19, 2006, accessed May 19, 2006.
[184] Schultz and Yang, 303.

recycled material.[185] This announcement was met with praise by some; others criticized that 10% was too little too late. [186] Why not 15%? 30%? 100%? On July 12, 2006, competitor Green Mountain Coffee Roasters leap-frogged over Starbucks, announcing the introduction of an eco-friendly disposable cup, lined with a bio-plastic made out of corn. After the cup is used and properly disposed of, it will supposedly break down into water, carbon dioxide, and organic matter.[187] Green Mountain Coffee Roasters has a mere fraction of the resources of giant Starbucks. Why hasn't Starbucks already developed its own eco-cup? Of course, while the eco-cup sounds fantastic, the reality is that it requires significant inputs of energy and corn to manufacture. Furthermore, its ability to break down into compost has been disappointing. [188]

Certainly, incorporating recycled material into its cups is a step in the right direction and doing so with a hot beverage cup is no simple matter, but perhaps the real issue is Starbucks– and others– need to encourage the use of re-usable mugs. Starbucks does sell commuter mugs as an alternative to disposable cups, and sometimes, the barista provides a ten cent discount for customers who bring a mug. But how much does Starbucks encourage this? It notes in its CSR report that this ten cent discount is a company policy, but who actually reads this report except those of us who are already acutely aware of these issues? In fiscal 2005, only 1.3% of drinks sold were to customers

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[185] Warner, Emily. "Starbucks will use cups with 10% recycled paper." *New York Times*. November 17, 2004.

[186] Professor Ann Rappaport. Lecture during Fletcher course, "Corporate Management of Environmental Issues," fall 2004.

[187] Press release from Green Mountain Coffee Roasters. "Corn + Water + Paper = a Revolutionary Eco-Friendly Coffee Cup." July 12, 2006. Accessed July 19, 2006 on www.csrwire.com.

[188] Theisen, Nicholas, Sustainability Specialist, New Belgian Brewing Company. panel: "Corporations and Environmental Challenges: A Discussion of Best Practices." Net Impact Conference. The Kellogg School of Management, October 28, 2006.

using commuter mugs.[189] Ten cents does not make a significant dent in a $3.65 latte, so those choosing to bring a mug are doing so on principle, not for cost savings.

Sometimes, a barista will actually make your drink in a disposable cup and then proudly transfer it to your mug before chucking the disposable cup in the trash. If you do not thrust a commuter mug under a barista's nose, you will get a disposable cup, in my experience ten times out of ten. Starbucks does provide ceramic mugs for customers staying in the store, but you need to explicitly ask for it.   How long would it take a barista to ask "For here or to go?" McDonald's, a restaurant renowned for the speed at which an employee can take an order and fill it, asks this short question to every customer, and it does not seem to hold up the lines there. Of course, space is a legitimate issue in Starbucks kitchens, and providing the infrastructure to store and wash a significant number of real cups is a logistical issue. It is unlikely that it would save the company any money to wash real mugs, but it would reduce waste.

Coffee grounds account for one-third of the total weight of Starbucks' total solid waste. The company has launched an initiative, Grounds for Your Garden, to return used coffee grounds free to customers in five pound bags. These used coffee grounds are used to enrich soil in parks and gardens worldwide.[190]

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[189] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.61.
[190] Ibid.,55.

In fiscal 2005, Starbucks announced a commitment to purchase wind energy to offset 5% of the energy required to operate the stores it owns in North America.[191] This initiative has come as a result of the company's assessment of its greenhouse gas emissions. As Sandra Taylor, Starbucks senior Vice President of Corporate Social Responsibility, notes, "Even subtle changes in the climate globally may significantly impact the quality of life in coffee growing communities."[192] True. All the more reason why Starbucks should contemplate whether 5% is enough. While the company is certainly moving in the right direction and deserves acknowledgment, it has a long way to go. When one considers that Starbucks opens six new stores every day, this 5% offset is not keeping up with the growth of its energy consumption. The company knows this and plans in 2006 to offset 20% of its energy use in company-owned stores in the U.S. and Canada.[193] The company's rapid expansion– and consequently, its increasingly large environmental footprint– will necessitate increasing emphasis on environmental initiatives.

Perhaps Starbucks is aware it is falling behind the level of commitment demonstrated by other companies, such as Green Mountain Coffee Roasters (GMCR) and Whole Foods Market. GMCR purchased enough renewable energy in 2005 to reach its goal of becoming 100% carbon neutral,[194] and Whole Foods announced in January, 2006 its decision to purchase enough wind energy credits from Colorado-based Renewable

[191] 5% equates to removing 3,232 cars from the road, according to Press Release from Starbucks Corporation,"Starbucks Takes Action to Address Climate Change, April 14, 2005, available from www.csrwire.com.

[192] *ibid*.

[193] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.53.

[194] "Green Mountain Coffee Roasters Received 2005 Green Power Leadership Award." Press Release from: Green Mountain Coffee Roasters, November 23, 2005. Accessed on www.csrwire.com, December 14, 2005.

Choice Energy to offset 100% of the electricity used in all its stores, facilities, and offices in the United States and Canada. Whole Foods is currently the only Fortune 500 Company to offset 100% of its energy use.[195] Whole Foods deserves praise for its initiatives in this direction, but a recent visit to its salad bar makes this consumer question how much the corporate values trickle down to the employees? At the salad bar, signs about Whole Foods' environmental commitment permeate the space, yet the employees do not make it easy for consumers to act responsibly. The reusable plates are hidden, while the plastic to-go containers were prominent. The real utensil containers are virtually empty, with the forks were completely gone, while the plastic cutlery was overflowing and readily available. When asked about this, a manager at the Cambridge, MA store noted the real cutlery disappeared too quickly because people threw it away.

Starbucks does not currently have a company-wide recycling policy because it claims that recycling collection varies too much from neighborhood to neighborhood. At the Davis Square, MA location, I witnessed a customer asking the barista what to do with his empty glass tea bottle. There was no recycling bin in sight. "Oh you can just throw it out," the barista said. Later, I approached her about this. "Starbucks markets itself as a socially responsible company, and yet you don't even have recycling here," I said. "Why not?" The barista explained that the trash gets separated in the community, so there is no need to separate it in the store. According to Donna Picket of the Somerville Town Hall, however, the trash does *not* get sorted: "Unless it's specifically put into the recycling bin, it's trash."[196] Even if the barista had been right and the trash *did* get sorted, showing

[195] www.wholefoodsmarket.com. Accessed January 25, 2006.
[196] Picket, Donna. Somerville Town Hall Board of Health. Interview. January 10, 2007.

customers that Starbucks recycles inside the store is a worthy endeavor anyway because it is a symbol of Starbucks' environmental commitment and sets a positive example for customers. In fiscal 2005, 77% of Starbucks' U.S. and Canada company-operated stores had recycling programs.[197] This is good, but why isn't it 100%? The company notes that it makes an effort to recycle where collection services exist, but surely Starbucks could be more pro-active in neighborhoods where recycling does not currently exist.

Community

Starbucks prides itself on adding value to communities,[198] typically planning at least one large community event for each new market it enters. The proceeds go to a local charity.[199] Of course, it is no secret that community building is a great marketing opportunity.

In 1998, Starbucks partnered with Magic Johnson's Johnson Development Corporation (JDC) to form Urban Coffee Opportunities, LLC (UCO), to bring Starbucks to more diverse communities of the US. 87 UCO stores currently exist and stimulate the local economy by providing jobs, giving business to local suppliers, supporting community organizations, and attracting other retailers to the area.[200]

While the company engages in corporate philanthropy, its initiatives in this area are not remarkable. Established in 1997, the Starbucks Foundation focuses on youth

[197] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.55.
[198] Schultz and Yang, 281.
[199] Ibid., 255.
[200] Starbucks Coffee Company. *Fiscal 2005 Corporate Social Responsibility Report*, p.37.

education in underserved communities. In fiscal 2005, Starbucks contributed $12.6 million to the Starbucks Foundation, $8.8 million to corporate giving, $1.5 million to social projects in coffee communities, and $7.4 million in products and in-kind donations. This total of $30.3 million represents 3.8% of Starbucks' pre-tax earnings. Much of the company's philanthropic focus in 2005 was in the emergency relief efforts of the Tsunami and Hurricanes Katrina and Rita. Considering that fiscal 2005's net revenues totaled $6.4 billion,[201] the company's philanthropic commitment may not seem impressive. Starbucks has elected instead to focus its dollars and energy on providing health care to its employees and developing sustainability along all levels of the supply chain. This is more effective than the checkbook philanthropy that many companies adopt as their primary vehicle for doing good.

Like Clif Bar's encouragement of employee volunteerism, Starbucks developed Make Your Mark (MYM). In this program, a Starbucks employee volunteers her time at a non-profit organization of her choice, and Starbucks matches this effort with a $10 per hour donation to the organization. Starbucks also provides gift matching up to $1000 per employee annually to the charity of his choice.[202]

The Starbucks Foundation is funded by Starbucks Coffee Company, private donations, and the new Duetto program, a collaboration among Starbucks, Chase, and Visa. For the first purchase a customer makes with a Starbucks Card Duetto Visa,

[201] Ibid., 6.
[202] Ibid., 39.

Starbucks donates $5 to the Starbucks Foundation.[203] In fact, the Duetto program appears to be less of an effective source of charity revenue building and more of an inexpensive marketing campaign to encourage customer loyalty.

In 2004, Starbucks joined the United Nations Global Compact in supporting ten principles that deal with human rights, labor standards, environment, and corruption. This act of signing on cannot be lauded as a major achievement. Prior to November, 2006, the Global Compact had no teeth: many companies proudly patted themselves on the back that they had signed on, but the Global Compact did not hold them to honoring any standards. Now, however, things have changed: the Global Compact recently de-listed over 300 companies for failing to live up to the Global Compact's standards. Starbucks has kept its spot on the list.

In 1991, Starbucks teamed up with CARE, the international relief and development organization. By 1993, Starbucks became CARE's largest annual corporate donor in the US. Specifically, Starbucks donations have been used for programs in Indonesia, Ethiopia, Kenya, and Guatemala for clean water, health training, literacy, and aid to farmers. Doing good is not without its share of controversy, however; many criticized Starbucks' assistance to CARE as a PR move.[204]

Indeed, "…being responsible and responsive…makes you vulnerable to an ever-wider array of special interest groups and individuals with diverse and sometimes unclear

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[203] The Starbucks Company, "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report*, p.41.

[204] Schultz and Yang, 296-297.

agendas."[205] In Vancouver, British Columbia, Starbucks stores were spray-painted and vandalized because Starbucks supports the Vancouver Aquarium, which keeps whales in captivity. Another activist group wanted Starbucks to stop doing business with Pepsi, since Pepsi does business in Burma, where there are human rights abuses. The Audubon Society wants Starbucks to protect bird habitats that are being cut down for coffee plantations.[206]

In April 2005, Starbucks purchased Ethos Water; for each bottle of water sold in Starbucks stores and elsewhere, five cents will go towards promoting access to clean water in developing countries. While promoting access to clean water is a laudable and timely goal, the paradox here is glaring: we are promoting clean water at the expense of polluting with oil-based plastic bottles that end up in landfills. If course, if Ethos water did not exist, customers would just buy whatever brand water Starbucks sold instead.

Evaluating CSR

How does one determine if Starbucks is doing a good job? How does the company inform the consumer in reliable ways? Each year, Starbucks has shown an increasing degree of transparency of its performance. Since 2001, Starbucks has published a CSR Annual Report, accessible to the public in pdf format on its website or on 100% recycled paper. In its CSR report, Starbucks talks about more than

[205] Ibid., 300.
[206] Ibid.

shareholders. It talks about *stake*holders, demonstrating a commitment to all parties involved– shareholders, consumers, employees, and suppliers.

To evaluate its behavior, Starbucks relies on external and internal monitoring. Externally, organizations like CERES and The Global Reporting Initiative monitor Starbucks. Starbucks openly admits it is not currently in full accordance with GRI.[207] Starbucks also encourages feedback from its customers by providing comment cards in stores.[208] Internally, Starbucks has created a Mission Review team; every employee is encouraged to inform the team of any issues not following the Mission Statement.[209]

It is important to clarify that Starbucks' social performance is subjective. While economic returns are easily quantifiable and require little debate, the company's initiatives in sustainability and social responsibility are, as *The Economist's* Clive Crook noted, both difficult to quantify and highly subjective. By providing full disclosure of its initiatives, however, the company uses its annual report, its CSR report, and its monthly newsletter "Coffee Matters", to inform the public. More noteworthy, third parties such as CERES, IFC, and GRI provide neutral third party perspectives.

It is easy to target a highly profitable company like Starbucks for not doing enough for the community and environment. Balancing these responsibilities with its commitment to its shareholders is a tough act. Starbucks has shown, however, that these

[207] The Starbucks Company, "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report*, p.6.

[208] The most popular complaint is long lines. Schultz and Yang, p.251.

[209] The Starbucks Company, "Striking a Balance," *Corporate Social Responsibility Fiscal 2004 Annual Report*, p.132.

goals are not always mutually exclusive. According to Norman Lear, founder of the Business Enterprise Trust, "The evidence seems clear that those businesses which actively serve their many constituencies in creative, morally thoughtful ways also, over the long run, serve their shareholders best. Companies do, in fact, do well by doing good."[210] While Starbucks' initiatives in social causes are admirable, the causal link that doing good results in doing well financially cannot be proved. Furthermore, is Starbucks doing enough? Its foundation donations are miniscule and hint of greenwashing. Its wind credits are a fantastic idea, but with the company opening an average of five new stores per day[211] and extending its brand into CDs, films, and books with the 2004 launch of Starbucks Entertainment, creating 5% or even 20% offsets is not even close to keeping up with its growth. If anything, as Starbucks grows at its current rate (which it feels obligated to do to keep shareholders happy), it needs to ramp up its CSR commitment. To the company's credit, it has identified the importance of focusing on three areas in the realm of CSR: integrating CSR within all divisions of the company, providing more transparency in the global supply chain, and taking steps to combat climate change.[212] It also identifies some key questions in its Fiscal 2005 CSR report, such as why Starbucks doesn't recycle at every location and whether we should worry that with Starbucks becoming ubiquitous, every town will start to look the same. While the company deserves credit for addressing these concerns, its response to these two issues leaves a lot to be desired.

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[210] Norman Lear, quoted in *Aiming Higher*, by David Bollier, as quoted in Schultz and Yang, 292.
[211] Horovitz, Bruce. "Starbucks Aims Beyond Lattes to Extend Brand." www.usatoday.com. May 19, 2006, p.2.
[212] Starbucks Coffee Company. *Corporate Social Responsibility Fiscal 2005 Annual Report*, p.1.

Interestingly, it is only recently that people have begun to discuss the nutritional aspects of Starbucks products. The company has responded by hiring a nutritionist in 2005 and publishing all the nutritional information of every drink and food item it sells. Since the food items vary not only from country to country but also from store to store within a country, Starbucks asks web surfers to type in their zip code to allow the company to show the nutritional information of the appropriate menu. In seeing that a 16 oz. Mocha Frappuccino has 16 grams of fat and 51 grams of sugar or that a toffee almond bar has 21 grams of fat and 37 grams of sugar,[213] one sees that Starbucks products are really not healthy. Yet how many Starbucks customers go home to access nutritional information on the Starbucks website? It is likely that the few who make the effort to do so are not the ones choosing the Venti Caramel Whole Milk Lattes with Whipped Cream; instead, it is likely that they are the health-conscious consumers who are already prudently choosing Skim Decaf Lattes. Providing nutritional information on the web is a step in the right direction, yet this information would serve customers much better if it were offered at point of sale, in a poster customers could read while in line or in small pamphlets next to the napkins.

Loaded with sugar and fat, most of Starbucks' products are not very nutritious, yet the company does not currently hold the unhealthy stigma that McDonald's does. I doubt Starbucks would be as successful a company if it sold carrot sticks with plain black coffee. Of course, the health impacts of caffeine have been studied extensively. If we ignore for a moment all of Howard Schultz's rhetoric about the appeal of Starbucks as a "third place" that provides an experience for customers, let's not forget that part of why

[213] www.starbucks.com.

this company has thrived is that it sells a legal stimulant to which many Americans– and others around the globe– are addicted. Starbucks coffee, meanwhile, has more caffeine than its competitors. It has 20% more caffeine than 2nd place Illy and more than twice the caffeine of a cup of McDonald's coffee.[214] Granted, Starbucks sells its product very well, and it has created a range of gourmet coffee drinks that taste fantastic, but at the end of the day, we all like (or need) that jolt.

Starbucks' awareness of the need for more nutritious food offerings can be seen in its January 2007 announcement to cut immediately the trans fats in the baked goods of half of its company-operated stores in the U.S. The company plans to eliminate trans fats from all its U.S. stores eventually.[215] While this is certainly a step in the right direction of providing more nutritious options, there remains a glaring question as to why food has not received the same scrutiny in sourcing as the coffee has. Former Starbucks intern Caroline Kim notes that Starbucks perceives itself as a coffee company that happens to also sell food. She notes, however, that Starbucks is currently in a three-year research program dedicated to revamping its food. It will be interesting to observe in the future whether the company partners with socially responsible sources similar to those with which Ben & Jerry's does. For example, Ben & Jerry's purchases brownies for its Chocolate Fudge Brownie and Half-Baked ice cream flavors from Greystone Bakery, a NY-based nonprofit using baking as a means towards achieving greater social good. For

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[214] Strauss, Robert. "Biggest Bang for the Bean." *The Philadelphia Inquirer*. December 2, 2004. p.F1.

[215] Woodward, Curt. "Starbucks Cutting Trans Fats from Food." http://news.yahoo.com. January 2, 2007. Accessed January 11, 2007.

Chubby Hubby and Peanut Butter Cup ice cream flavors, Ben & Jerry's buys peanuts from Superior Nut, a carbon-neutral family-owned business.[216]

The Starbucks food items currently vary worldwide. While cultural preferences should be taken into consideration, the company should take McDonald's success at face value: look how many cultures did not, prior to McDonald's, appreciate hamburgers. Similarly, high-end coffee drinks are new to many countries and have been adopted with success. I believe the primary reason why food has been challenging for Starbucks has not been because the food items have been culturally American: rather, they have until a few years ago, simply not been consistently tasty. They need to work with chefs to create a core group of baked goods that are phenomenal. There is no reason why the food items should not be at the same quality as the coffee. Food represents 5% of their total sales.[217]

When will the Starbucks market be saturated? Much of the company's growth right now is in overseas expansion, especially in China. Their growth has been good for the stock price, but is this also good for the world? Are we better off with more Starbucks? It is true that Starbucks is a leader in CSR, but their share price does not go up because of these initiatives. Consumers do not care about its CSR initiatives as long as the share price continues to rise. If Starbucks were not engaged in these CSR initiatives, would the stock price be any different? Consumers of Stonyfield Farm and Clif Bar have values more in line with those companies. Therefore, I think their CSR initiatives do affect the consumers more directly, as these consumers are more loyal to the brand as a

[216] www.benandjerrys.com. Accessed December 11, 2006.
[217] Starbucks Coffee Company. *Fiscal 2005 Annual Report*, p. 13.

direct result of the companies’ CSR initiatives. Starbucks customers are no less loyal (in fact, they are probably more so, as the frequency with which they choose Starbucks is much higher than customers’ choosing a Clif Bar or a Stonyfield yogurt). Yet Starbucks customers’ loyalty is due entirely to the product.

Chapter Six: Conclusion

Lesson #1:

In determining whether CSR enhances the financial returns of companies in the food sector, it is important to recognize that the social and environmental issues they face are not a passing fad. As consumers increasingly scrutinize corporate behavior and the media draws more and more attention to obesity, diabetes, and nutrition, **it is unlikely that CSR within the food sector will lose its momentum any time soon.** In fact, the opposite appears to be true, as an increasing number of companies are establishing their own CSR departments and publishing CSR or sustainability reports (of varying degrees of sincerity), often as a defensive mechanism to provide risk mitigation for the company. Even Coca-Cola, McDonald's, and Nestlé are getting on board.

Lesson #2:

A company's corporate structure does not necessarily dictate the level of CSR it is capable of pursuing. Clif Bar shows that staying private allows the company to pursue social good without regard to shareholders' needs: Erickson notes, "Clif Bar has more power to influence, change, and give back to the community than we would, had we sold the company."[218] Yet other companies like Stonyfield Farm and Starbucks have shown that a company does *not* need to stay private to pursue CSR: answering to shareholders does not prevent a company from pursuing CSR.

[218] Erickson, Gary, with Lois Lorentzen. *Raising the Bar: Integrity and Passion in Life and Business (The Story of Clif Bar Inc)*. San Francisco: Jossey-Bass, 2004, p. 276.

While corporate acquisition *can* negatively affect a company's social mission– as seen in Ben and Jerry's– Stonyfield Farm illustrates that this does not have to be the case. Despite its acquisition by Danone, Stonyfield Farm has been able to continue pursuing its social mission, with more gusto and international impact than ever before. Indeed, corporate acquisition does not necessarily equate to a company's loss of soul.

Clif Bar and Stonyfield Farm can serve as examples to others, even those much larger in size. Gary Hirshberg notes that this is already happening:

> "I've been sitting in roundtables lately with the CEOs of some of the largest corporations in America. And these people spend most of their time at these luncheons asking me questions about my little $30 million business. The fact that I'm even at the table is a statement in itself. But the fact that they're asking the questions is an even more important statement about the changing role of socially responsible companies in the business world. Mainstream corporations are recognizing that we're on to something– that it's to their competitive advantage to take the needs of the people, not just their own profits, into account."[219]

In addition to lessons learned from Clif Bar and Stonyfield Farm, we can also learn from Starbucks, a public company showing that rapid growth necessitates an *increased* responsibility as the potential to impact the earth and communities– in positive *and* negative ways– increases. In contrast to the cases of Clif Bar and Stonyfield Farm, whose customers' loyalty is increased by the companies' social and environmental initiatives, the majority of Starbucks' customers are ignorant of and apathetic to the company's social and environmental initiatives. Yet it behooves Starbucks to continue these pursuits, for more than purely moral reasons. Starbucks' environmental initiatives can actually save the company money as Clif Bar's and Stonyfield Farm's have. Its social initiatives are also a worthwhile long-term investment, even though they are more

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[219] Gary Hirshberg in Cohen and Greenfield, 239.

difficult to quantify. We can see that Clif Bar, Stonyfield Farm, and Starbucks do deserve the recognition they have received for their successful pursuit of the triple bottom line of financial, social, and environmental initiatives across their different respective corporate structures.

Lesson #3:

The earlier we are able to determine a conclusive relationship between CSR and profit, the earlier reluctant companies will turn their energies to social and environmental issues. The dilemma, however, is that only some CSR pursuits definitively enhance profits; others *might* enhance profits; and others cost the company money. **Eco-efficiency is one CSR pursuit that can be measured quantitatively and does benefit the financial bottom line. Social pursuits, however, are difficult to measure; therefore the link between social initiatives and profits is murky.** Regardless of how a company feels about CSR, it is good business sense to mitigate waste. Clif Bar, Stonyfield Farm, and Starbucks all demonstrate that a commitment to efficiency pays off: by cutting waste, the companies can increase profits and lessen their impact on the environment simultaneously. Clif Bar and Stonyfield Farm have already made great strides in eco-efficiency. As Starbucks does far more in the sustainability front in areas such as green stores, environmental initiatives can enhance its profits. But this will require a fully integrated strategy of sustainability rather than one or two token projects: "Recycling aluminum cans in the company cafeteria and ceremonial tree plantings are about as effective as bailing out the *Titanic* with teaspoons."[220]

Can we conclude that these companies' CSR initiatives are enhancing their profits? Or are the companies doing well in spite of these initiatives? Both. Without the CSR initiatives at Clif Bar, Stonyfield Farm, and Starbucks, it is very likely that the companies would still be generating a healthy financial profit. In other words, their financial success is not dependent on their commitment to CSR. All three have successful products, visionary and effective management, and a loyal consumer base. That being said, some of the companies' respective CSR initiatives (involving eco-efficiency) do enhance the bottom line. This aligns with the theory of *Built to Last* author Jim Collins:

> "Visionary companies pursue a cluster of objectives, of which making money is only one– and not necessarily the primary one. Yes, they seek profits, but they're equally guided by a core ideology– core values and a sense of purpose beyond just making money. Yet, paradoxically, the visionary companies make more money than the more purely profit-driven comparison companies."[221]

Stonyfield Farm reaps this enhanced financial benefit from increased eco-efficiency and increased loyalty of consumers, who like both the yogurt *and* the mission. Clif Bar also saves money from its increased eco-efficiency. Furthermore, the innumerable measures the company takes to provide a positive work environment for its employees is highly likely to increase employee satisfaction, retention, and productivity, even though, as at Starbucks, this is difficult to measure. Finally, the social commitment by Starbucks impacts the company's bottom line: providing health benefits and stock options increases employee retention, which allows the company to save on the decreased

[220] Hawken, Paul. *The Ecology of Commerce.* New York: Harper Collins, 1993.
[221] Collins, Jim, and Jerry Porras. *Built to Last: Successful Habits of Visionary Companies.* New York: Harper Collins, 2002, p.8.

costs of recruitment and training. Furthermore, it is highly likely that the intangibles of employee satisfaction, loyalty, enthusiasm, and work performance can be positively correlated with the health benefits and positive work environment that Starbucks provides.

While this link between social initiatives and profit is possible– and sometimes probable– it is not definitive. According to U.C. Berkeley professor David Vogel:

> "It is just as likely that the more successful firms are more responsible than others as it is that more responsible firms are more successful than others. For example, if firms identified as "good places to work" are more profitable, this may be because they can afford to treat their employees well, not because their labor policies increase shareholder value. " [222]

Lesson #4:

CSR is an *opportunity* rather than an obligation for the private sector to effect change– to improve the environment and community. Even though some customers do not care about CSR, companies should still pursue it because it is the right thing to do ethically and because it is an opportunity for a company to wield its muscle and influence customers' views and behaviors concerning these issues.

Of course, while Clif Bar, Stonyfield Farm, and Starbucks are socially responsible companies, one might argue that the most socially responsible action they could take would be to close operations. Despite all the initiatives they have taken, their businesses are not carbon neutral; indeed, they are contributing more overall to devastating the earth than saving it. Author Joshua Karliner notes, "For all their talk of sustainable

[222] Vogel, David. *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington, D.C.: Brookings Institution Press, 2005, pp. 32-34.

development, it is extremely rare to hear the leaders of transnational corporations speak of the need for anyone, anywhere, to consume less. Rather, they have embarked on a series of "green" marketing campaigns tailored to reassure the public that it can keep consuming with a clear ecological conscience."[223] Patagonia is one of the few exceptions to this philosophy: as one example, it designs long underwear to last over ten years and then encourages customers to return it to the company for the fibers to be recycled. It is a closed-loop system.

While few companies are able to match Patagonia's level of sustainability even if they tried, businesses are going to continue to exist and play a key role in our societies, for better or for worse. Instead of blaming them, we ought to look to business for its ability to effect change: Paul Hawken notes: "Business is the only mechanism on the planet today powerful enough to produce the changes necessary to reverse global environmental and social degradation."[224] We should look to Clif Bar, Stonyfield Farm, and Starbucks as examples and encourage other companies to push the envelope as they have in their pursuit of good corporate citizenship.

[223] Karliner, Joshua. *The Corporate Planet.* San Francisco: Sierra Club Books, 1997, p.45.
[224] Hawken, Paul. "The Ecology of Commerce." *Inc*. April 1992.14, 4; p. 94. ABI/INFORM Research.

Appendix

Figure 1:

Starbucks Mission Statement[225]

Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we grow.

The following six guiding principles will help us measure the appropriateness of our decisions:

- Provide a great work environment and treat each other with respect and dignity.
- Embrace diversity as an essential component in the way we do business.
- Apply the highest standards of excellence to the purchasing, roasting, and fresh delivery of our coffee.
- Develop enthusiastically satisfied customers all of the time.
- Contribute positively to our communities and our environment.
- Recognize that profitability is essential to our future success.

[225] Schultz and Yang, 139.

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