

Faculty Board of Economic Sciences, Communication and IT

Business Administration

Starbucks with Corporate Social Responsibility (CSR)

“How Starbucks succeeds in a business world with CSR”

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Thesis Advisor:

Bo Enquist

Co-reviewer

Lars Haglund

The Authors:

Sornchai Harnrunghalotorn

Yaowalak Phayonlerd

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ABSTRACT

In the today's business world, there are many strategies being used to run businesses. In the recent past, the topic of Corporate Social Responsibility (CSR) has grown rapidly. People are starting to demand that companies take their social responsibility seriously. Many companies have started to engage in CSR as a strategy in order to gain benefits that can give them an added advantage over their competitors. There have been increasing numbers of companies engaged in CSR to run their businesses. Nowadays corporate social responsibility (CSR) can drive companies to succeed in business by increasing sales volume and brand awareness.

We decided to choose Starbucks Company as a case study for this thesis because this company has a good reputation in terms of social responsibility. Thus, we would like to investigate how Starbuck successes in the business world are linked to CSR strategy. We would like to know how the company integrates CSR and what factors have affected the company's success over the years with special reference to CSR.

Key Words:

Corporate Social Responsibility (CSR), Star bucks, and environment

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CHAPTER 1: INTRODUCTION

1.1 Problem background

Companies have an important role in the development of a society and environment because there is high demand in the marketing of products that companies offer product and service quality to their customers. However, companies have the obligations to do practice corporate social responsibility (CSR). CSR is entering a new era where suppliers from developing countries have significantly increased in importance. It is almost becoming an obligation and responsibly many companies.

Nowadays, corporate social responsibility (CSR) is an important part of many business organizations. It is concerned with how a company tries to be beneficial to all its stakeholder groups. Many companies today run businesses with CSR especially big companies. They try to involve in activities that will keep both the business and social environment sound. The effects of CSR cannot be overemphasized; they range from companies running business well to environmental improvements. CSR can also go a long way to improve on product quality and service to customers. We wonder how companies run businesses with CSR in an adverse competitive business world. Today, competitors of some businesses already practicing CSR and beginning to embrace this new philosophy of business.

In this paper, we will present how Starbucks Company has succeeded in a world of business with CSR. We will investigate why Starbuck Company engages in CSR and what definition this company gives to CSR. There has been so much news out there about Starbucks Company, many consumers and employees satisfied with their good sense of CSR. Moreover, it has many suppliers interested to operate with them. It also has many organizations that compliment the Starbucks Company's efforts towards CSR.

Today, Starbucks has published many Corporate Social Responsibility (CSR) annual reports that these are all available on the web site of Starbucks Company. In these reports Starbucks Company shows how it is actively involved in a combination of activities linked to the social, environmental and economic perspectives (triple bottom line thinking).

In this study, we intend to investigate how the Starbucks Company conducts business and integrates CSR with their business. And also how the company have responsibility with the goals of enhancing the lives of its stakeholders- partners of the company, customers, coffee

farmers,shareholders, community members, suppliers and others with whom the company works (Findarticles 2010).

1.2 Problem Definition

In the business world, Corporate Social Responsibility (CSR) is important. Despite the fact that there are some business successes in practicing CSR, some organizations have argued about the benefits of it. We thought about why some businesses succeed with it (with social reference to Starbuck Company) and how they conduct it. Thus, it occurred to us to investigate an answer to this question.

The main research question shows what we would like to know; which is:

Research Question

“How Starbuck succeed in business world with CSR”

1.3 Purpose

The purpose of this study is to investigate how Starbucks succeeds in a business world by using CSR as a long term strategy. We consider CSR strategy in terms of how this company can run business by using innovative technologies to increase the products and reduce costs and no damage to the environment. Also, we intend to study how this company succeeds in gaining a competitive advantage in its business. Moreover, we also intend to find out how it deals with social responsibilities both in the internal organization and communities including how it can protect environment. We will focus on five principle areas based on sustainable values-based service business of Starbucks Company and the communication of the company in order to know how the company communicates with its stakeholders.

CHAPTER 2: THEORETICAL FRAMEWORK

This chapter provides the methods that are applied in this research. We will describe all selected methods in this research.

2.1 Definition of Corporate Social Responsibility (CSR)

We introduce corporate social responsibility by concept of Carroll, which will help us to answer the purpose and define how it can make us to understand how Starbucks succeeds with CSR.

There are different views regarding the relationship between CSR and business. The concept of CSR is still unclear because there are many institutions that focus only on business to make and increase profits while other businesses are interested in adopting a good sense of CSR.

According to Carroll (1983), *“corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent”* (p.608).

From the above definition, CSR entails that companies should give back the benefits to the consumers and other stakeholders. This means that companies should not only be concerned with their profit but they need to help socially and environmentally. If the company doesn’t have responsibility with the society, the people or non government organizations (NGOs) will criticize the company. Thus, companies have to be responsible with other stakeholders and the social environment.

However, nowadays it is difficult at times for some companies to adopt a good sense of CSR because they often want to engage only in direct profitable ventures. According to Michael E. Porter and Mark R. Kramer (2003), the Strategic Philanthropist, companies can benefit by engaging in CSR activities. It will focus on the cluster and improve capability of the business but CSR should make the profit at the same time. So, companies find the best strategy for making sure that businesses have responsibility regarding social issues and make profit at the same time.

CSR is viewed as an umbrella concept, which includes corporate citizenship, corporate sustainability, stakeholder management, environmental management, business ethics and corporate social performance (Visser.W 2005). So, corporate social responsibility (CSR) is one strategy to run the business or sometimes its core business especially in big organizations.

2.2 Triple bottom line: it is very difficult to talk about CSR without looking at triple bottom line thinking (that is interactive thinking taking into consideration social, environmental and economic factors). These three indicators of CSR are shown in fig 1 below.

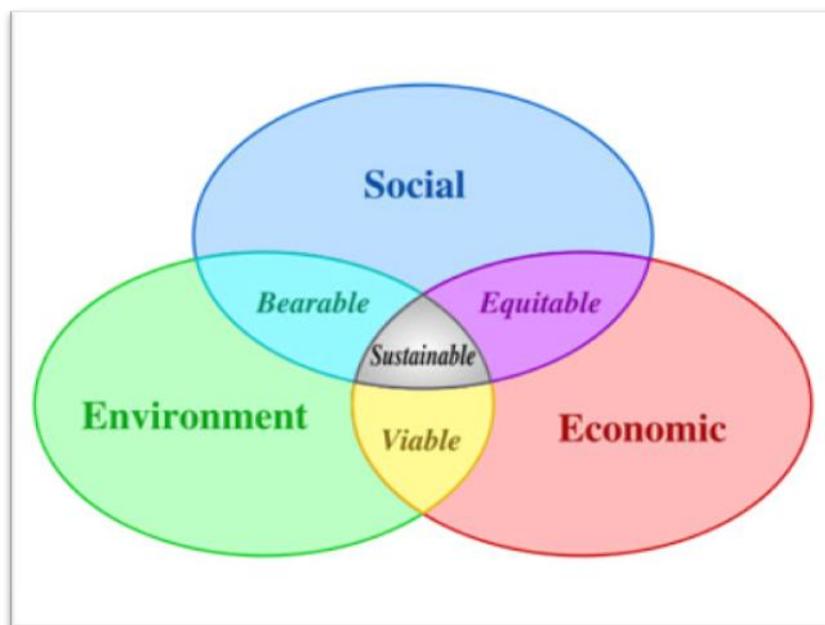


Figure 1: Triple bottom line

Source: Indstate.edu (2010)¹

2.2.1 Economic

No doubt in previous business, economics has influenced our world. Every company in all sectors has focused on the benefits or profits. Some organizations want to serve only

¹ Indstate.edu (2010) <http://www1.indstate.edu/facilities/sustainability/>

shareholders or financial reports. But nowadays it is difficult to do this if companies think about merely their own benefits by ignoring social, environment and other stakeholders. Because it is short term strategies and the firms will face several impacts of organizations.

In order to sustain economic businesses, companies should not only concern about benefits of financial forms but also ethnic firms have to care to people or society and environment as well (Elkington .J 1997, p.72).

From Eco-efficiency, companies have involved in competitive businesses by offering good prices, products and services to improve the quality of life in order to make customer satisfaction. In which these processes try to reduce environmental impacts (Elkington .J 1997, p.78).

Natural resource productions relate to maintaining environment and competitiveness which limited environment has created innovation of products as an eco-efficiency (Elkington .J 1997, p 109).

To develop economic sustainability, all companies have to rely on ethnic businesses that they cannot run businesses without responsible stakeholders such as their staffs, customers or societies who affect directly to companies such as losing image, profits of companies and so on.

On other words, the ethic's company will receive a lot of economic benefits of organizations by using innovations to operate their businesses which can increase the companies' benefits. For instance, reducing the cost of productions, creating good qualities of products and good image of media including building long run relationship with stakeholders too. It might say these are win-win strategies.

2.2.2 Environment

All mankind is involved with the environment. Everybody has used a lot of natural resources in the whole life. Unfortunately, nowadays our environment is destroyed by people or corporations that might not care about it of which there are many impacts on our planet such as increasing pollution around the world, wastes water, climate change etc because we don't care about the environment enough.

There are two main things of significant natural capitals reformative or replacing natural resources. Firstly, it is necessary for the reservation of life and ecosystem balance. Secondly, it can renovate or replace natural resources such as solar cells in order to limit fuels (Elkington .J 1997, p. 79).

From many countries, there are regulations to companies for their environmental performances (Elkington .J 1997, p 80).

In order to protect the environment or ecosystem, we have to protect the environment by reducing the use of natural resources because some resources can renew again by using technological replacement such as using wind energy to produce electricity or recycle products and also can reduce companies cost as well. Moreover we have to protect environment at the same time by treating waste processes before sending to the environment (to main our earth).

All of the above show that, in maintaining the environment it is important that all parties have to realize it. It's not only you and me but also everybody in our world.

2.2.3 Social

social development, is one of the important parts in triple bottom line. It might be affected to economics and environment too.

Social capital is trust of people in society which some parts can measure people 'ability to work together in organization. These capabilities have importance to develop sustainability in every status of society (Elkington .J 1997, p 85).

Social accounting focuses on evaluating people who have impacted to the corporation. The area covers training, community relations, product safety, employment, education, donation and so on (Elkington .J 199, p 87-88).

For organizations, they have to be responsible communities both inside and outside because it has impact to developing companies by providing good environmental workplace, training skills, welfare, and human right. For outside organizations, it should make good relationships with society by creating activities to support or help society such as donating money into communication or improving society to become better life etc.

These companies will receive good feedback from communication and all employees to corporate sustainable development.

2.3 The Competitive Advantage

In this segment we will define the competitive advantage of the company. that is it's advantage in the internal and external parts of the company. The competitive advantage is concerned with the competition between the company and its competitors. The company has advantage over its competitors.

The competitive advantage is an advantage of the company to offer consumers more values and advantages more than its competitors. It is the thing that differentiates a business from its competitors. The sustainable competitive advantage, has value-creating product and service for the consumers which is not similar or copied from the competitors (Competitive advantage 2010)

According to Michael Porter (2008), nowadays, the competitive advantage is the components of social and environmental points which have to go together because these are main factors to run businesses. companies have to use workers, capital and natural resources in order to produce high quality products and services. employees have to provide knowledge, working condition, welfares and career opportunity while companies and society will get benefits from protecting environment. Since the decreasing waste and pollution will help company to reduce natural resources and increase products including generating customer values as well. Moreover, it is also creating a new market, these are long term strategies (p 457).

Because many factors affect the company from the external environment and internal environment, this affects its relationship between social responsibility and competitive advantage. Thus, the companies need to understand the strategy in which the company can compete with its competitors.

2.4 Five principles for a sustainable values-based service business

There are five principles of sustainable values-based service business. They include:

2.4.1 Strong values drive customer value

Actually, Strong values come from the culture of company which develops to customers' values and society's values including value of organization to drive of direction of business improvement. corporations have created the service business by clearing obvious vision and mission of the company which normally comes from firm's personal values (Enquist.B, Edvardsson B. 2009, p 110).

If we want to evaluate the values generally, they come from customers and stakeholders. Both of them are important. Moreover developing the sustainable values of a company depends on organization's relationship with employees, shareholders, partnerships, suppliers and media and so on (Enquist.B, Edvardsson B. 2009, p 110).

2.4.2 CSR as a strategy for sustainable service business

this principle relates to corporate social responsibility. This sustainable service business strategy will succeed if the companies use it based on CSR. The organization has to realize it in this point. CSR is a long term strategies for every company or industry. It relates to responsibilities to social, environment, economic which social and environmental CSR's concept is supporting for long run company's benefits (Enquist.B, Edvardsson B. 2009, p 110-111).

Nowadays it can improve corporation's production or services to build the values. It might say CSR is the best solution to maintain the sustainable service business.

2.4.3 Values-based service experience for co-creating value

Meanwhile competitive business are intensive, no one cannot deny that customers are very significant in order to make their satisfaction in products or services of company. The main concepts of services are tht customers should have really experiences before buying or consuming merchandise or service because they can know what they want or need. Such as how about the products, how they feel or how to different with others for instance design, function and so on (Enquist.B, Edvardsson B. 2009, p 111).

The company should provide customers' experience to respond to the need of customers which it can create value services between corporation and customers as well.

2.4.4 Values-based service brand and communication for values resonance

For all companies, brands are very important because they can communicate to customers, employees or every stakeholder about images of companies or their products. Absolutely if the products or services of organization are good, they will be supported by customers or stakeholders. But if they are not, there will be damage to companies' images, products or services at the same time (Enquist.B, Edvardsson B. 2009, p 111-112).

In order to booth the "values-based service brand" the company must use CSR strategies to sustain its business in long run. Practically, CSR is the best way to communicate with all customers and stakeholders efficiently. As they can touch with values of service brands and the company will receive the good resonances from all stakeholders (Enquist.B, Edvardsson B. 2009, p 111-112).

2.4.5 Values-based service leadership for living the values

In order to make the sustainability of company values organizations want to have good leaderships. Currently, Leaders have to have many skills to conduct the company's strategies to reach to the goal. One of them is communicating skills. the figure below shows tha five principles of sustainable value based service business.

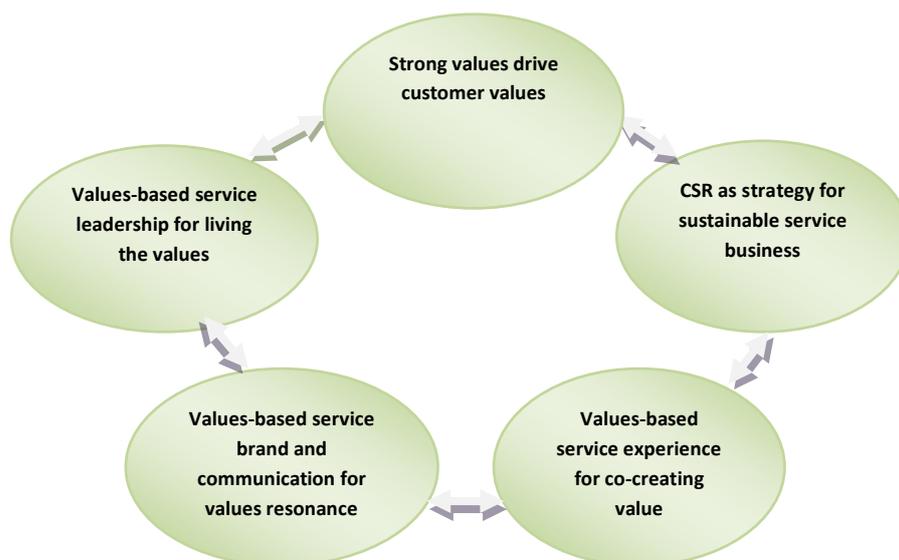


Figure 2: Five principles for a sustainable values-based service business (Enquist B and Edvardsson B)

CHAPTER 3: METHODOLOGY

In this chapter the methodology used in the thesis will be presented. It will present how we are going to gather data in order to find the answers to our stated research questions. We will explain how to conduct this research and also provide the readers with a motivation for the chosen method. The reader gets a chance to read up on the research and get an understanding for the work process.

3.1 Selection of research topic

The research topic began with the interest on the success of companies in the business social environment. An organization needs to be ethical in competitive business activities. The topic is interesting and popular in now a day.

3.2 Research design

In the content and design of this research the study was thoughtful to conduct in the exploratory manner through a quality case study in which an in-depth examination of the case was conducted. We will focus on secondary data base on the information from the company such as announce report.

The guide by Vaus.D (2001:233) the explanatory account produced by intensive research focuses on the particular events, or case, and seeks to develop complete explanation of each case. The case study was conducted over 2 months. The qualitative approach of conducting the research was carried out using in-depth secondary collected information (Cronbach L. 1971).

The case study in this research will choose as the tool address the research questions and research purpose. It was further motivated by its ability to illustrate relationships and it also identify the details of interactive processes.

3.3 Sample case

The sample case chosen for this study was a single case study based on application level of CSR standard. We wanted a company that has a good management about the CSR. So, we decided to choose the Starbucks Company because we think that the company can help us to answer the research questions. As we know, the brand of Starbucks is worldwide and it also a big company. Starbucks Company is the representative case study in this thesis.

3.4 Secondary data collection

The secondary data offers this kind of opportunity. the definition of secondary data analysis as the opening paragraph suggests, has two dimensions. The first is secondary analysis of data that has been collected by other researchers. And the second is secondary analysis of data that has been collected by other organizations in the course of their business (Bryman A. & Bell E. 2007).

The purpose of this research work is for the students to find the help from the books, articles and journal publications in library of university. We got some strategy from theses source to investigate and adapt in this thesis. As in the chapter 2, we use many theories to support this thesis such as triple bottom line, competitive advantage and five principles for a sustainable values-based service. These theories will help us to investigate and answer the research question.

In addition, in this thesis we use written sources from the electronic literature to be able to answer our research question. This information is reliable because the information is gotten from the organization`s official website. We also gain the future information and as complement to written sources in form of Starbucks webpage and annual report of CSR. The information from the webpage of the company can be reliable. We strongly believe all the data are useful and reach to the objective of this thesis.

3.5 Data Analysis

When it comes to analyzing data, it should be relying on theoretical propositions or developing a case description. Relying on theoretical propositions is sustainable amount of previous research in the subject but developing a case description is suitable limited research has been conducted in the subject (Yin 2003).We focus on the relying on theoretical propositions as base on previous research in the subject of CSR. In this thesis the data is analyzed on secondary data of organization to compare with the theory. So we investigate one company, a within case analysis was performed. According to this thesis, its only investigates a company which reaches the research questions.

3.6 Reliability

The term the reliability means "repeatability" or "consistency". A measure is considered reliable if it would give us the same result over and over (Vaus.D 2001). This thesis is based on secondary data and it tries to analyze this data in order to gain an insight of the company for answering the research questions. This thesis tries to gain another view from different sources that it concerns about source of organization. For the reliability in this thesis, we did much examination into obtaining the correct information and data from reliable databases such as Karlstad University and office report of the company.

CHAPTER 4: EMPIRICAL PART

4.1 Starbuck Background

Starbuck Coffee Company was founded in 1971, the first retail store opened in Seattle's Pike Place Market in the United States. The company name was inspired by Moby Dick that it evoked the romance of the high seas and the seafaring tradition of the early coffee traders (Starbucks 2010a).

In 1981, Howard Schultz came to Starbuck and he would like to be a part of Starbuck. After that Starbuck agreed and hired Howard Schultz. He had to work hard with Starbuck and his ideas was about the tremendous potential of expanding the Starbucks enterprise outside Seattle and exposing people all over America to Starbucks coffee (MHHE 2010a). Meanwhile, the owners have against in his ideas that it made him despondent. The Starbucks management wanted to focus on traditional core business of selling only coffee beans and equipment. But Howard still remained important on this part and finally the owners rethink and believe in his ideas. During 1983, Howard went to Italy and he became enchanted with Italian coffee bars and romance of the coffee experience. Schultz got the idea to change the shops like a style of Italian coffee but he has adapted in case of American style (Starbucks 2010a).

In the late 1985, Howard Schultz left Starbucks, he started his own company. His plan was to open espresso bars in high-traffic downtown location (MHHE 2010a). The name of his company was Il Giornale Coffee Company. In March 1987, the owners decided to sell Starbuck in Seattle, when Howard learnt of this, he immediately decided to buy Starbucks and finally his acquisition was completed in August 1987(MHHE 2010a). So he became Starbucks' president and CEO until now a day.

After acquisition of Starbuck in 1987, Howard has integrated between Il Giornale and Starbucks together. Howard worked hard on popularizing coffee such as the café latte, later and the Frappuccino. His plan's objective expanded Starbuck stores of 125 in 1987, 15 new stores opened in fiscal 1988, 20 in 1989, 30 in 1990, 32 in 1991, and 53 in 1992-producing a total of 161 stores. It was exceeded for expansion Starbucks' stores and became profitable in 1990; profits had increased every year thereafter (MHHE 2010b). the figure 3 shows the information of the company.

Figures 3: Starbucks Corporation	
Headquarter	Seattle, Washington (US)
Industry	Restaurants
Net Revenues	\$ 2.4 Billion USD (2009)
Net Earning	\$ 390.8 Million USD(2009)
Employees	172,000 (2007)
Number of retail stores	15,011 (2007)
<ul style="list-style-type: none"> • Company operated 	8,505
<ul style="list-style-type: none"> • Licensed Stores 	6,506

In addition, Howard instills some key values and guiding principles into the Starbucks culture. The main value have effort to build a company with soul was that the company will never stop pursuing the perfect cup of coffee (MHHE 2010c).

Nowadays, the Starbucks Company still continuously expands the store around the world. They still find the best things to their customers.

Source: Fiscal 2007 CSR Annual Report, News.Starbucks (2010), Starbucks Annual Report 2009

4.2 Company's products and Services diversity

There are three products in Starbucks shops: Drink, Food and Nutrition.

Drink: The organization has slogan “*a perfect cup of coffee*” the reason why it selects the best beans throughout the world. Then bringing them into the process to give the great flavor in which the company gives customers the perfect drink. There are many kinds of coffee both bottled drinks and cold drink Brewed Coffee. It is not only the perfect cup of coffee but also Starbucks has provided other drinks like Chocolate Beverages. Moreover Starbucks has provided Frappuccino Blended Beverages (Starbucks 2010d).

Food: The Company provides many kinds of foods for customers to enjoy the foods in the Starbucks shops which are naturally scrumptious. It is not only good food but it is better for the customers` health. For instance, the bakery, there are many kinds of bakeries such as Chocolate bloom cupcake, Chocolate croissant, Pumpkin Scone, etc. It's also including salads such as Deluxe Fruit Blend, Sandwiches, etc (Starbucks 2010d).

Starbucks has service diversities for respond to customers that they would like to make its customers for percept on its brand and the flavored of coffee. Thus, the company loves to find the best things to offer the coffee. Starbucks Company takes competitive advantage for competing with their competitors.

Entertainment: The Starbucks Company would like to entertain the customers when they come to stores. They focus on music, artwork and culture to motivate the feeling of customers when customers come to sit and drink coffee in the stores. It makes their customers to enjoy with coffee. The company has created the unique shops to make customers percept in the brand and feeling of the flavored coffee. Thus, the company has provided variety of things.



Wireless Internet: This option is one strategy of Starbucks Company of attracting the customers to come stores. They provide wireless internet to customers when they come and sit in the coffee shop to drink coffee. The customers can check email, download files for next meeting, or just surf the web, feel free to connect right in the stores (Starbucks 2010i). The company would like the customers enjoy the great coffee with the Wi-Fi internet.

Community online: The Starbucks Company would like to make the customers thinking about the Starbucks shops as being special. The reason is that it wants the customers to feel at home, coffeehouse warm and welcoming places to gather. They also have online communities for people who love to drink coffee and the people can exchange the experience to talking. The company likes to help customers have fun, dream big and connect to each other and ideas that it's interesting. Because the company believes marvelous things happen when you put great coffee and great people together. Thus, the company can make the customers thinking about the Starbucks so special store and special coffee (Starbucks 2010j).

Mobile Application: The Company offered the Starbucks card on iPhone to make customers life easier. The Starbucks Company would love to find ways to serve customers better and make them enjoy the coffee more (Starbucks 2010k).

Card of Starbucks: Starbucks card is main one strategy of the company, they are successful with this strategy that they can increase high sale volume. The company would like to make the customers feeling good that they are a part of company. So the company provides this card to customer in many ways. The card will give variety reward to the customers such as

discount and collect the point. It has a variety of cards to make customers enjoy with the coffee.

4.3 Company responsibility

Starbucks run business by responsibility and conducting its self in the methods which are giving trust and respect from its customers and neighbors. In this way, it calls “shared planet” that means Starbucks emphasize on ethical sourcing, environmental stewardship and community involvement. Moreover under company’s operation , it also believes supporting the good workplace for partners or staffs encouraging ethical business practices and maintaining legal compliance , corporate governance and also public policy (Starbucks 2010c).

Mission statement

The Starbursts Company has the principles of running business every day “how we live that every day” as following (Starbucks 2010b).

Our Coffee: The Company focuses on the quality of coffee bean and also enhancing farmers’ live who grow the coffee bean. The world market of coffee has historically been sensitive to price flexibility in which is linked to global demand and supply. It has been affecting to coffee farmers so Starbucks helps them to buy coffee and has adopted a more integrated and sustainable model. Starbucks has paid premium price to help farmers to make more profit and support their families. Starbucks has created a policy that they call C.A.F.E (Coffee and Farmer Equity) to show responsibility towards the moral, environmental and quality aspects of processing and selling coffee. Moreover, Starbucks provides funds for farmers to access credit, purchasing conservation and certified coffee that includes organic and Fair Trade Certified and also investing in social development project in coffee producing countries. The last thing, Starbucks has collaborated with coffee producers in Costa Rica that it offers farmers with training about the high quality coffee and technical support. Starbucks focus more on this stakeholder because they are sustainable to the company (Fiscal 2007 CSR Annual Report).

Our partners: *Our “employees” are called partners, and this is literally true, since every individual is offered stock options. We seek to seamlessly interweave variables that ensure quality for the customer with literal ownership in the company. We want to be the employer*

of choice in each market in which we do business. In order to achieve this goal we pay fairly, provide benefits to all whether part-time or full-time, and encourage individuality and open communication (Starbucks melody 2010).

From the message of Howard Schultz, its employees (partners) are keys of success in business. It's attractive and preserves the capability of employees (partners) that drive the company success. Starbucks tries to create a workplace that both values and recognizes each person's contribution. The employees were called partners because they accept diversities of people to be together. Starbucks treats employees as 'partners', this has make them feel valued and treat them with respect and dignity. Starbucks has fulfilled their commitment to partner by following Guiding principles. For instance in Guiding principle that the company doing to: care for partner's well being, promote respectful workplace culture, provide opportunities for training and career growth and etc (Fiscal 2007 CSR Annual Report).

Moreover, Starbucks has a project call 'Partner Engagement'; this project partner will participate in CSR activities. For instance, Starbucks Coffee Thailand launches new non-coffee beverage Strawberries & Cream Frappuccino with team activity in support of neighborhood community. Starbuck partners' design construction in teams of a new safer and colorful playground for the Duang Prateep Foundation Day Care center is one example of their involvement and effort in making a positive impact in neighboring communities (Starbucks Coffee Thailand 2010).

Our stores: Customers feel like their places, good environment, warm condition which they can meet and enjoy with friends in rhythm of life (can see from services diversity).

Our neighborhood: We are the part of community. We are responsible in every community that we are going to operate business. Starbucks has donated and done activities for social project. Starbucks has conducted 16 community connections in 8 countries around Middle East during Holy month of Ramadan such as Neighborhood Girgean Celebration in Kuwait, they has celebration of the local tradition of Girgean by partner distributed Girgean packs to children during Ramadan month. Moreover, in Egypt, the partner of Starbucks visited to children cancer hospital 57357 that they spent time to take care children and donated a painting board to the playroom (Starbucks Report 2010).

Our shareholders: We are responsibility of shareholder rights. We realize every success and benefits of shareholders that can trust in our business. Starbucks has often to meet its shareholder. For instance, 2010 Starbucks annual meeting of shareholders at Marion Oliver McCaw Hall at Seattle Center in USA that it has discussion about a review of the company's recent performance, Voting on proposals described in the 2010 Proxy Statement, which can be viewed along with Starbucks Fiscal Year 2009 Annual Report to Shareholders on the Investor Relations homepage of our website and Question and Answer Session (Starbucks 2010o).

Environmental Mission Statement

- Sharing environmental information with our partners to understand clearly.
- Improving innovative and flexible solutions.
- Using environment products including selling and using them.
- Encouraging responsible environment as corporate value
- Following process and measure every project.
- All partners involve to company's mission.

Source: (Starbucks 2010b)

Goals & Progress

Starbucks has run its own business for a long time which it operates by carrying social, environmental economical responsibility. The company focuses to do the right thing in partners (staffs) , customers and business that it tries to create the innovation for business and learn from its mistake. Moreover the company 's goal is that caring for the world 's impact such as ethical sourcing , environmental stewardship and community involvement as well. (Starbuck 2010e)

Ethical Sourcing

The company has operated business by bringing the best coffee in the world. So it supports the farmers' live by buying coffee fairly and help them how to grow coffee bean efficiently including responsible environment as well (Starbuck 2010f).

Environmental stewardship

Starbucks has emphasized to care for the world environment and support others or stakeholders to do the same thing .As the company runs business by agricultural goods , It

believes in company mission to maintain environment such as recycling, green building and so on (Starbuck 2010g).

Community involvement

The organizations believe different people need to be a part of good community by supporting various communities' activities in many areas. For instance, the community service, youth action, Starbucks foundation, Ethos water fund, Starbucks RED and etc (Starbuck 2010h).

For example, every purchase of a (STARBUCKS) RED EXCLUSIVE beverage - Espresso Truffle, Gingersnap Latte, and Peppermint Mocha Twist - at all participating stores in the U.S. and Canada, Starbucks will contribute five cents directly to the Global Fund. And to honor the 20th anniversary of World AIDS Day, on Dec. 1, Starbucks will contribute five cents to the Global Fund for every handcrafted beverage purchased at a participating Starbucks as a continued way to show support for this important issue (Mystarbucksidea 2010).

4.4 Integrating Corporate Social Responsibility (CSR)

In terms of CSR Starbucks has good governance, ethical conduct and social responsibility is core to their way of running business. Starbucks has driven to create and increase shareholder value. Starbucks also focuses on maintaining the relationship between stakeholders and their company. The definition of CSR in term of Starbucks Company is conducting the business in ways that produce social, environment and economic benefit for the communities. Starbucks has operated for the company's stakeholders and including shareholders. Attracting and retaining our partners (employees), customer loyalty, reducing operating cost, strengthening our supply chain and license to operate, all of those it's a few of real benefit of the company(Fiscal 2007 CSR Annual Report).

Moreover the Starbucks makes its approach to CSR a competitive differentiator for Starbucks (Fiscal 2007 CSR Annual Report).

In the figure 5 in appendix, we will present the corporate social responsibility governance. It's the procedure of Starbuck for running the business in the organization.

4.4.1 Environmental Stewardship

According to Elkington .J (1997), people have used a lot of natural resources so organizations try to reduce using natural resource. In this part, Starbucks focuses on protecting the environment and urges others to the same in order to make a great business for mankind. They have launched many projects to encourage the environment. Examples include:

Recycling & Reducing Waste

The aim of Starbucks has plans to recycling all materials that needs to be recycled in the stores and control waste collection including useable cups 25% in 2015. Approximately 70% of Starbucks stores in North America can recycle at least one kind of waste where has commercial recycling services around Starbucks stores. Moreover, Starbucks offers 10% discount to customers who bring in their own commuter mugs that they want to decrease environmental impact of cup. By 2009 reusable cups had been served over 4.4 million more than 2008 (Fiscal 2009 CSR annual report).

Energy Conservation

Starbucks has emphasized two issues that are preserving and developing energy efficiently, which it has impacted to climate change. In the past, Starbucks tries to reduce its energy by cooperating with GE Company, which develops LED lighting to replace halogen lighting. The LED lighting was installed 1,000 stores in U.S.A where could reduce energy only 1.7% from 2008 to 2009 (Examiner 2010). However, the goal of Starbucks wants to reduce the energy 25% to use within 2010 and also they still looking forward to other innovative choices to decrease the energy (Fiscal 2009 CSR annual report).

Water

water is a very important natural resource in the company's business because it uses the water to make coffee and tea beverages. In 2009, Starbucks has started this project by installing *the manually operated hand-meter faucet* all stores in U.S.A. Starbucks can save the water about 150 gallons per store per day. Moreover, Starbucks continue to use technology to save the water such as dishwasher use water less than one gallon of water per cycle(Fiscal 2009 CSR annual report). Other example the company has trained partners (employees) to keep coil in ice machines clean in order to reduce heat from machines to make

ice melt. From 2008 to 2009 Starbucks can decrease the water 4.1% .In 2015, the goal of Starbucks has to reduce the water consumption 25% in coffee shops (Businessgreen 2010).

Climate

Starbucks believes that high quality products come from good agriculture systems. Furthermore it's also cares about climate change. The company tries to reduce the environmental impacts by developing initiative solutions. For instance, Starbucks has incentive programs relating to coffee farmers to reduce carbon emissions from burning and clearing forests in 29 coffee communities in Sumatra Indonesia, Chiapas and Mexico region; which are sensitive environments in the pilot programs. Moreover, Starbucks has collaborated with Earthwatch Institute which renews rainfall, water resource map and indicating biodiversity in order to share knowledge with coffee farmers (Fiscal 2009 CSR annual report).

4.4.2 Community (Social)

Internal

Wage and Hour Rules: Starbucks has paid the salary and compensation for partners (employees) based on hours laws and regulations that mean Starbucks offers the benefits fairly (Business Ethics and Compliance 2009).

Workplace Environment: All partners (employees) have been treated with esteem and honor without insulting, bias, unfairness, irritation and so on .On the other hand, they are working in the company under friendly working environment (Business Ethics and Compliance 2009).

Workplace Health, Safety and Security: Officers and partners (employees) have cooperated to each other for following the safety regulations, practices and training in order to prevent themselves from accidents or injuries (Business Ethics and Compliance 2009).

External

The company believes that good business has to involve and support communities as well. The goals of Starbucks has supported its partners (employees) and customers facilitate communities over 1 million throughout the world in 2015(Fiscal 2009 CSR annual report). Nowadays Starbucks has created several projects to engage communities as following:

Youth Action: The aim of this project is to support 50,000 young generations to created and participate their communities within 2015 in order to solve problems and develop communities. In 2009, Starbucks gave award more than 2 million US dollars and engage more than 20,000 young generations or 42% of target in 2015 (Fiscal 2009 CSR annual report).

Starbucks Foundation: This project was established to support communities in many ways all over the world. There are several programs of Starbucks foundation as following:

- Nurturing young leaders: this program has contributed young people's chances to develop their communities
- Supporting Coffee, Tea and Cocoa Communities: this program has provided farmer communities where have grown coffee, tea and cocoa for company by offering knowledge, training and financial or credit services to enhance product quality and develop farmers life.
- Access to get clean water: Ethos water is funding that support people in developing countries to enter the clean water.
- Fostering Education in China: organization subsidized 5 million us dollars to educational programs in China by 2005.
- Rebuilding the Gulf Coast: C.O.A.S.T. fund was found by Starbucks and Starbucks foundation to revive Gulf Coast communities ruined by hurricanes Rita and Katrina.

Source: (Starbucks 2010l)

Ethos Water Fund: The objective of Ethos water fund is help the children who cannot reach the clean water by supporting 5 cents every bottle of Ethos Water. So far, Ethos water fund has offered 6 million US dollars to help 420,000 people throughout the world to reach the clean water (Starbucks 2010m).

4.4.3 Economic

Starbucks Company is one of world class organizations that are successful in business today. The corporation's policy is that running ethnic business and doing the right thing are keys of Starbucks' business. Moreover, the company operates business in many aspects by engaging environment, all people and following the laws of each country. Also, it endeavors to provide quality of products and service as well as good relationships to both suppliers and customers. All of these are long term strategies which make Starbucks successful.

In order to understand deeply, we present Starbucks business conduct as follows:

Starbucks quality and Customer Protection: Starbucks focuses on quality of products because customers' health and safety are significant for business. Company ensure ever process that is clean and hygienic including good service and facility in the shops (Business Ethics and Compliance 2009).

Compliance with laws and regulations: Starbucks Company has followed the laws, rules or regulations of every country where organization run businesses. In order to ensue, the company operates ethnic business and follows officially permitted standards (Business Ethics and Compliance 2009).

Fair competition: Starbucks relies on fair competition laws and supports in free market. However, Starbucks has to have agreement with competitors or suppliers under regulations such as not talking about price, products or markets with competitors or customers do not try to control the market etc (Business Ethics and Compliance 2009).

Supplier: Starbucks has made long term relationships with suppliers and sellers as well as work closely together with them. The company has supported coffee formers every aspects such as Fair trade by guarantee prices, offer financial credits, education and even housing. In order to get high quality products and control prices as well as protesting environment where coffee bean is grown and also rising farmer revenue as well (Gulati .R, Huffman .S and Neilson.G 2002).

Sales practices and advertising: Organization focuses on truth and honesty to customers. Not only the products and service but also advertising as well. All of these are transparent which customers can prove them (Business Ethics and Compliance 2009).

Confidential information: During working with Starbucks, existing partners (employees) do not disclose all non public information of company to anybody outside of organization. On the other hand, that information has to use company purpose only such as knowledge, technologies, business plans and so on (Business Ethics and Compliance 2009).

Financial report: Considering the financial reports of company from 2006 to 2009, we realized that in 2006 net earnings \$564.25 million increase from 2005 14.0%, in 2007 net earnings \$672.63 million increase from 2006 19.20%, in 2008 net earnings \$315.5 million decrease 53.09% from 2007 and in 2009 net earnings \$390.8 million increase 23.86% from 2008 (Starbucks Annual Report 2007, 2008, 2009).

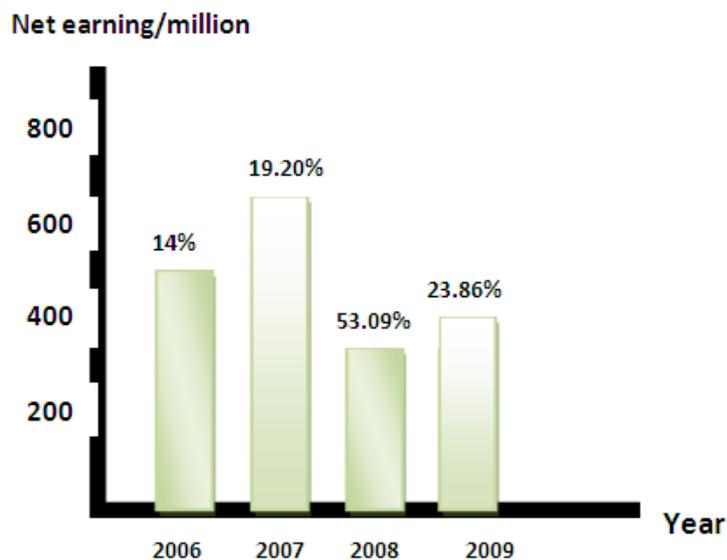


Figure4. Net earnings of Starbucks Company Source: (Starbucks Annual Report 2007, 2008, 2009).

From financial reports, it can be seen that economic company has grown up from 2006 to 2007 and dropped in 2008 and grown up again in 2009. Thus, the one of the courses of net earnings in 2008 slow down because economic crisis in USA and international markets had affected customers who has made them to lose purchasing power. It made financial impacts to Starbucks Company as well.

4.5 Five principles for a sustainable values-based service

1. Strong values drive customer value

Starbucks mission is that of providing a good environmental workplace and treating partners with respect, various elements of business, highest standard of delivery coffee, engaging communities and environment, active to make customer satisfaction and having profitable business (Enquist B,Edvardsson B,Sebhatu S, p.61).

Starbucks code of conduct focuses on joining with farmers in order to produce high quality coffee and engaging relationships with farmers, workers, communities to preserve environment.

The company has made a long run relationship with suppliers and sellers more than need low prices because it wants to high quality products and service (Gulati .R ,Huffman .S and Neilson.G p.5).

2. CSR as a strategy for sustainable service business

Starbucks company engages the business ethics, which it can see Starbucks mission or Starbucks code of conduct (from the part of Strong values drive customer value) including company's policy both social and environmental. For instance, the environmental stewardship which shows the company ways to protect environment such as recycling, water etc and community with firm support several on activities to improve communities.

Moreover, Starbucks has the long term relationships with suppliers to control the qualities and prices, which they work together with suppliers and discuss strategic business to improve and develop products. Starbucks focuses on social and environmental points where coffee bean grows and support farmers by providing education, finance and fair trade too (Gulati .R ,Huffman .S and Neilson.G,p 5).

3. Values-based service experience for co-creating

Customers have a good taste of premium beverage such as Tazo tea, the company has offered a good music and great environment in the Starbucks houses. No doubt, why customers come to visit Starbucks to meet their friends, relaxing ever working because Starbucks it offers customers more than beverages (Starbucks 2010n).

Moreover, taste of coffee and great environment, customers will touch with Baristas who always take care and communicate with customers as well as suggest various kinds of flavor coffee as well (Gulati .R ,Huffman .S and Neilson.G, p 4).

4. Values-based service brand and communication for values resonance

Starbucks has succeeded in marketing and has good resonance because it has strong relationships with its customers, the local communities that create trust to each other. Starbucks has collaborated with social responsibilities and also communicate company activities with its stakeholders to promote an accountable environment (Enquist B,Edvardsson B and Samuel.S p.62).

Besides of Starbucks Company has provided many channels to communicate with customers such as the company website, e-mail, Starbucks card member and telephone. In contrast ways, the customers can communicate with those routes as well. In order to share the information between company and customers.

Moreover Starbucks was not much spending on brand advertising. At Starbucks it's all about the brand experience. They obsessed over everything – from the quality of the cups to the quality of the toilet paper (Startup-marketing 2010).

Brand of Starbucks has succeeded by improving the environment of the stores through attractive furnishing, fixtures, artwork and music. Starbucks has designed the stores as the bridge between the workplace and home for the customers. Starbucks has given to create a warm and comfortable environment for the customers who would always feel different when they would come to a Starbucks store to consume coffee (Scribd 2010).

5. Values-based service leadership for living the values

Howard Schultz has a vision. To create one, management has to ask itself, do we have vitality in the organization? Do we have spirit? What's missing? What do we want to be as an organization, and who do we want to be as a group of people? (Geller L. W. 2008). Starbucks has supported employees with touchable incentives like working conditions. Furthermore engages in empowerment, corporation and communication of culture and value. All staff is called partners without any regards to positions. The company empowers by decentralizing, where partners corporate with the teams in each area (Gulati .R ,Huffman .S and Neilson.G p.3).

ANALYSIS PART

In this part we will analyze from collected data then we will follow the structure in theoretical frameworks. We will try to integrate the theory and attempt to ultimately answer the research question. Firstly we will analyze on triple bottom line that consists of environment, social and economic. Then we will analyze on the sustainable values-based service and also the competitive advantage from CSR.

Environment: Starbucks operates business taking the environment into consideration. The Company has used innovations and technologies to reduce cost. In contrast, the company can increase profits including protecting environment simultaneously as follows:

Starbucks can reduce the waste about 70% in North America where it recycles services. Moreover, in order to decrease the wasting cups, the company has launched reusable cup campaign to decrease using cups by discounting the prices for the customers who used reusable cups. Moreover Starbucks tried to reduce the energy by installing LED lighting to save its energy including reserving water natural resource by changing faucet and using new dishwasher machine to save company's water.

Besides, Starbucks has roles to protect climate change by supporting programs to help coffee farmers to diminish carbon emissions from burning in many areas around the world.

Starbucks therefore runs its business with special care to the environment and planet. It uses several ways to reserve environmental impact and reduce natural resources by using technologies such as recycling, reducing waste, energy conservation, reducing water and protecting climate. On the other hand, Starbucks is still reducing cost process too.

Social: Every company knows that employees are important resources because all organizations cannot succeed in businesses without employees. However, nowadays it is not only employees but its good companies have to involve communities. Since, they also affect corporation's image and business as well.

Starbucks has realized these issues. In Starbucks shops, company has provided the benefits fairly to partners (employees) by following the laws of the respective places where it operates in. Because Starbucks believes in fair benefits that can motivate its partners working well. Moreover the company has treated partners with esteem without partiality, since

everybody in Starbucks company is not seen as an employee but as a partner. Also, Starbucks has provided safety training programs for partners who work with company in order to protect themselves from accident.

Starbucks treats its partners as good as company treats its customers. Moreover, Starbucks has encouraged communities as well. Because Starbucks believes that the company and communities have to run together.

Starbucks has created many programs to support communities which Starbucks was established to encourage these activities such as Young Action program; the company has supported young generation to improve their communities, moreover Starbucks has supported its coffee farmers by providing education, system and finance in order to improve the quality of coffee and farmers' life to be better. For other projects, it has helped children all over the world to access clean water including recovering Gulf Coast by founding C.O.A.S.T fund to rescue the people at gulf coast and contributing education programs in china.

It can therefore be seen that Starbucks has concern for communities together with running business. Because the company has realized that communities are a part of successful businesses.

Economic: Starbucks is a well known coffee company which succeeds in business world. The main strategy that Starbucks conducts business is being Ethic Company. In terms of business, Starbucks has operated businesses by emphasizing high quality of products and services in order to make customer's satisfaction. For high quality products, Starbucks has always collaborated with farmers who are one of suppliers by contributing education, knowledge and training to improve the quality of products for customers and company has never overstated with customer. All advertising of company has to be truthful and accurate communication on public. This shows the high standard of the company.

In terms of competition, Starbucks believes in fair markets by agreement with competitors do not control the markets in order to be free competition and talk about products and prices too under following laws of each countries where Starbucks has run business.

From financial reports as we showed in the chapter 4, net earnings of the company in 2006 to 2007 Starbucks had grown up except 2008 when it slowed down because of the economic crisis and also competitors such as McDonald, since entry the coffee in their stores as lower

price coffee that it has different price from brand premium around 15-25% so it made them competed with brand premium as Starbucks. However, in 2009 net earning had grown up again.

In terms of *sustainable values-based service*, Starbucks focuses on values of development and managing services of their company to drive the company to run business smoothly.

firstly, we will see the *strong values drive customers value* that we described in chapter 4, Starbucks has done a lot of things such as focusing on the highest standard of delivering coffee, joining with farmers to produce high quality coffee and also making long term relationships with them and training its partners (employees) as a strategy for making customers satisfaction on its services. From its company's mission and code of conduct, it makes sure that the company has strong values for its business including acceptance of all stakeholders who have affect the company. All are geared towards creating value to customers and making sure that they get high quality products that will to respond their needs and satisfaction.

The second is *CSR as a strategy for sustainable service business* in which Starbucks has engaged CSR into every part of the company. Starbucks is committed to run business by CSR strategy and have realized high benefits for all stakeholders. We can see Starbucks uses innovative technologies to protect environment and reduce its cost. Moreover, Starbucks still supports local societies around company's areas. It is doing business fairly with their suppliers to make long term relationships.

The third issue is *values-based service experience for co-creating*: Starbucks has built their stores as second home, the customers receive new experiences when they come into the Starbucks houses such as good environmental places, warmly welcome by all partners (employees) and high quality coffee and also they can work or meet their friends to communicate with each other. These facilities are the experiences which the company offers to customers that make them to have an edge over its competitors.

The fourth issue is *values-based service brand and communication for values resonance*: Starbucks Company has provided many channels to communicate with its customers and other stakeholders such as website, telephone, Starbucks card and etc which all stakeholders can access gain access to Starbucks in order to share information between company and

stakeholders. Ever since its creation, Starbucks has reputation in its brand as it has operated CSR business which it has focused on high quality of products and services. Moreover Starbucks has strong relationships with its customers and collaborates with social responsibilities as well as communicates company activities with its stakeholders to promote responsible environment.

However If we have considered financial reports from 2006 to 2009 except 2008 we will see net earnings showed a continuous increase over the years. It means that Starbucks still has a good resonances or feedback from customers.

The last but not the least is *values-based service leadership for living the values*: Starbuck's leaderships does not only control subordinates but they have to understand corporation's culture deeply, can collaborate with the team, support their partners, can communicate with all level of partners and customers in order to know their problems such as what they need or what they want and so on. These are necessary not only for leadership purposes but also all Starbucks' partners.

In addition, Starbucks gets benefits by engaging in CSR, as we described in previous chapter that CSR practice in this company is more of a business strategy. CSR has built the competitive advantage to Starbucks making them to have an advantage over its competitors.

CONCLUSION and RECOMMENDATION

The objective of this thesis was to investigate how Starbucks Company succeeds in business by CSR. It is very interesting to see how Starbucks has operated its business ethics. Especially the mission statement which is talking about how Starbucks runs its business by using several components to create a good relationship with its suppliers, partners (employees), customers, communities, the stakeholders, and also how they are caring for the environment.

The other interesting things about Starbucks are its code of conducts, which show that Starbucks has collaborated with farmers in orders to gain a high quality of coffee bean at the same time that it improves the famers life and environment.

Starbucks has ran its business by driving Corporate Social Responsibility (CSR) as a tool that covers the company in every sector of their business. Let's take the environment, for example. Starbucks is really concerned about affecting the environment. By utilizing innovative technologies to improve the effectiveness in its processes, they reduce costs and at the same time they are preserving the environment. In terms of social strategies, Starbucks has splendid strategies to cooperate with its partners and stakeholders. Starbucks has created a lot of activities to encourage communities and to create long term relationships with them, which reflects on their brand. In terms of economics, Starbucks is not only thinking about its benefits but also for all parties related with their business, by following the laws of each country. Starbucks has managed to create fair trade with its suppliers, customers, and even for their competitors. It has made Starbucks very successful in its economic situation. Moreover, CSR can build competitive advantage over competitors that Starbucks gain more competitive advantage by engaging in CSR into every part the company. Specially, the company focuses on their suppliers (coffee farmers) and partners (employees) which they have run business as sustainable together. We think that the company has come to correct the way to run business by fully practicing CSR and keeping their market position.

From what we investigated, a company's CSR practice relates to numerous different behavioral aspects within a company. Many organizations argue that companies engaged in CSR can obtain increased sales and market share, reduce costs and increased interest from investors, improved employees motivation, improved brand awareness and image of the company. However, we think that the company's CSR investments will affect the company's

performance positively as customers value CSR activities. It is the reason why the company has succeeded in business world by CSR.

As presented in this study, CSR has been growing in recent years and many companies are starting to participate in CSR to run business in which they see the benefit from CSR. Moreover, nowadays customers are starting to demand that companies take their social responsibility. We will suggest that the most important aspects to consider concerning CSR are:

The first, in the future CSR is possible belonging with the law to run business so we recommend that companies should participate now as same as Starbucks participating in CSR. The second is that CSR can increase sales volume and improve finance performance however, so it's a good time to invest in CSR.

In this thesis we have provide some knowledge within the term CSR. But we think that there are many other interesting areas to study regarding this subject. However, we will recommend that future research such as *“what is the perspective of customers to CSR”*, *“why are suppliers interested in operating with a company which participates in CSR”* and *“what are the setbacks of companies which do not participate in”*. However, there are many other topics interesting in this term.

For Starbucks, it provides premium coffee which the prices are quite high comparing with other brands, though it has good environmental concerns, partners, facilities and a good image. But nowadays not only Starbucks has provided those things but also there are competitors providing all facilities the same such as Mc Donald and Dunkin Donut . Because both of them provide cheap prices of coffee which everybody can reach them . Although their facilities are not as good as Starbucks but they have the price strategy to attract customers. Especially today the way of human life has changed and most people have to hurry for cheaper things. This is an aspect that starbuck can improve upon. If this is not done, there is a tendency that some customers will switch to drink others brands which are cheaper. In this case, Starbucks may provide some price promotion to motivate its customers. Therefore, although Starbucks does not have discount policy this point calls for flexibility in business strategy.

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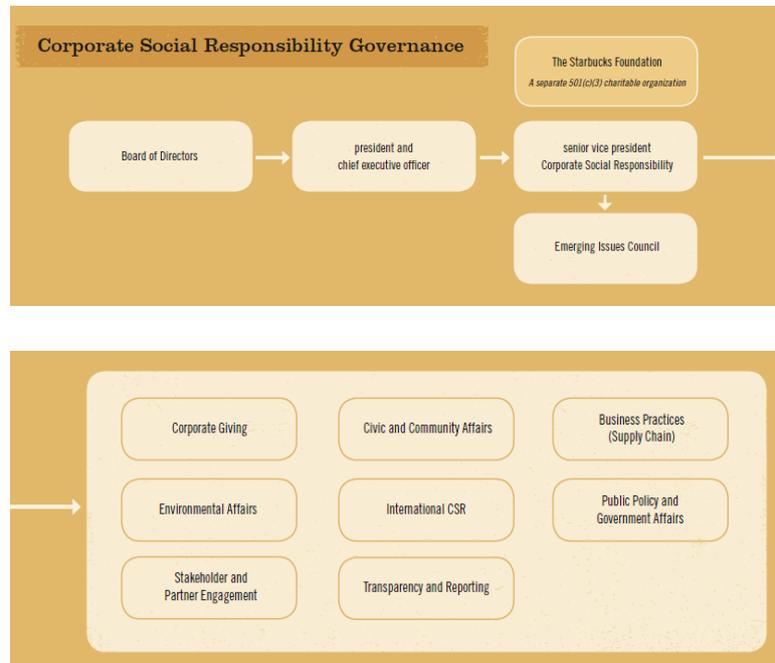
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APPENDIX

Figure 5: Corporate Social Responsibility Governance



Source: Starbuck Report 2005