Corporate Social Responsibility

Megan Vasquez

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Arthur Smith

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Abstract

Corporate social responsibility is the process in which organizational decisions are made in the best interests of stakeholders beyond the organization (Manner, 2011). In an evaluation of Starbucks Corporation and Countrywide Financial Corporation, evidence may suggest a direct correlation between social responsibility and overall corporate success. Starbucks ensures internal stakeholders receive training and leadership as well as strives for 100% ethical sourcing of products. Additionally, the organization partners with non-profit organizations that benefit the environment and the economy (Starbucks Corporation, 2013). Strong indications of positive social responsibility can be found both internally and externally in Starbucks’ corporate culture. Countrywide Financial, however, contributed heavily to the recent financial and housing crisis. Its lack of corporate social responsibility, predatory lending, and unfair practices led to millions of foreclosures, layoffs, and lost retirements (Mortgage Service News, 2009). Investors were devastated as was Bank of America in the 2008 acquisition. Thus, social responsibility trends may be indicative of a direct link between a corporate ethical culture and the ultimate success of the organization.

Corporate Social Responsibility

Corporate social responsibility requires a commitment to the community in which corporations interact. Experts suggest that incorporating a triple-bottom-line theory of people, environment, and profits will benefit the company’s ethics, morale, and ultimately, profit (Painter-Morland, 2006). Comparing the following two companies, Starbucks Corporation and Countrywide Financial Corporation, a correlation to corporate social responsibility and business success may be concluded. Additionally, the comparison evaluates both the internal and external environments in which the two corporations interact and finally demonstrates the ultimate affects differing levels of corporate responsibility has on global economies.

**Starbucks Corporation**

Corporate social responsibility has been imbedded in Starbucks’ mission since opening its doors in 1971. Dedicated to providing ethical products and a unique experience, Starbucks ensures employees and customers alike are introduced in the process in which specialty products are delivered to their cup. Starting with ethical sourcing of ingredients, economical packaging, and reducing its carbon footprint, the organization is committed to global and social responsibility (Beverage Industry, 2010). Coffee, tea, and cocoa undergo independent inspections of ethical growth and trading. As reported from the inspections, ninety-three percent of Starbucks’ coffee beans were ethically sourced in 2012, with one-hundred percent being the organization’s goal in 2015. Additionally, Starbucks is a member of the World Cocoa Foundation and facilitates a Farmer Support Center that aids international farmers with loans, training, and guidance to ensure product sourcing is responsibly grown. The corporation hopes by participating it positively impacts the cultivation of ethical practices in farming communities worldwide (Starbucks Corporation, 2013).

Starbucks’ dedication to ethical sourcing has further been evident in its fourteen-year partnership with Conservation International. The collaboration has been dedicated to water and soil preservation, sustainable ecosystems, and the support beneficial coffee production. The two organizations have also been working to develop the C.A.F.E. Practices program which outlines ethical growing guidelines for coffee farmers across the globe (Conservation International, 2013). Starbucks recognizes that the company is only as socially responsible as the product it serves. Initiating outreach programs to farmers, suppliers, and environmental non-profits is indicative of a strong dedication to corporate social responsibility.

Finally, Starbucks stores are typically filled with chatting friends, students on their laptops, and entrepreneurs on their cell phones. This sense of unity did not happen by accident - it is an intentional engagement of the Starbucks Corporation fostered by its culture of community. Starbucks’ standard for ethical sourcing and an environmental impact does not end at the front door of each store. The atmosphere in the restaurant is a direct reflection of the organization’s mission for humanity, neighborly engagement, and ethical impacts on the environment and economy. Starbucks strives to ensure customers and employees receive a positive impact from the process in which products were ultimately responsibly delivered. Furthermore, the corporation’s partnership with Opportunity Finance, a non-profit which aims to lend money to small business, aspires to create jobs. Howard Schultz, Starbucks’ founder, asks customers to contribute to the initiative and help stimulate the economy (Dolan, 2011). Few corporations integrate corporate responsibility fully into its external, internal, and customer environments as Starbucks has done.

**Countrywide Financial Corp.**

In the midst of the housing boom, banks saw exponential growth through mortgage lending. Sellers were doubling their home’s value and buyers were seeing equity before even turning the key to their new home. However, this trend was too good to be true. Predatory lending and fraudulent loans quickly became a banking social norm despite obvious conflicting interests with corporate responsibility. Countrywide Financial Corporation was amongst many institutions under fire for price gauging, charging excessive fees, predatory lending, and attempting to transfer settlement costs to investors (Mortgage Servicing News, 2009). Specifically, the corporation was accused of unfair lending practices in which they convinced customers to borrow well beyond their means. Furthermore, in an unfortunate chain of events, Bank of America acquired such lawsuits and scrutiny in its 2008 merger with Countrywide Financial. The multi-billion dollar misrepresentations on Countrywide’s part forced Bank of America to settle multiple suits including a $500 million settlement in a 2013 class-action lawsuit (Jacobius, 2013).

Corporate social responsibility in the financial industry requires lenders to allow customers to make educated decisions. Mortgages consist of multiple variables, calculated formulas, and unexplained fees. Additionally, obtaining a mortgage involves many processes and entities (such as title companies, servicers, insurers, and appraisers) that unfamiliar borrowers may not fully understand. Preying on unskilled or inexperienced customers is not only unfair; it violates many aspects of corporate social responsibility. Foreclosure and bankruptcy ultimately has a great impact on the borrower, their neighborhood, their community, and the businesses of which they were consumers. Furthermore, as 151 financial institutions were declaring bankruptcy as result of the fallout, transparency of the internal impact resonated at many levels. Layoffs and investor devastation severely compounded to economic turmoil (Hirsch & Patel, 2010). Countrywide demonstrated corporate social irresponsibility at its best and contributed to the worst financial crisis since the 1930’s.

**Lessons Learned**

Corporate social responsibility is the process in which decisions made are in the interests of social benefits beyond those of just the organization (Manner, 2011). Addressing the triple bottom line: people, environment, and profit, Starbucks Corporation incorporates social responsibility into each level. While the organization has faced scrutiny and fierce competition, issues have been overcome by strong leadership, internal ethics training, and accountability of employees (Adi, 2010). Strong internal ethics is a trend amongst corporations with high corporate social responsibility. It may be indicative of the most important key to developing a successful triple bottom line and overcoming adversary. It may also suggest that a corporation will not be likely to achieve corporate social responsibility without the support and participation of its internal stakeholders. Starbucks capitalizes on its ethics and uses such strengths to incorporate suppliers, sourcing, customers, and shareholders into its mission.

Countrywide Financial Corporation was one of many financial institutions to demonstrate predatory lending and unfair practices. While the organization cannot be held accountable for the entire financial and housing crisis, it had its own corporate social responsibility to uphold. Plagued with upcoming lawsuits and unethical practices, Countrywide seemingly slapped Bank of America in the face. The lack of corporate social responsibly resulted in millions losing their homes, jobs, retirements, and financial stability. Profit margins and greed presented a domino effect of unlimited devastation. As evident of successful ethical corporations, it may have been (at a minimum) beneficial for Countrywide to encourage decisions in the best interest of borrowers and investors. Ultimately, social irresponsibility or focusing on the single bottom line (profits) may indicate corporate failure or economic destruction.

**Conclusion**

Corporate social responsibility is not defined by a single charitable initiative, nor is it merely incorporated into a mission statement. Social responsibility is a culture practiced by a corporation that encourages decisions made at every level to be in the best interest of all stakeholders. Starbucks Corporation seeks to ethically satisfy each component of the triple bottom line by properly training employees and leaders, seeking ethical sourcing, and promoting charitable giving. By making profit a result of such initiatives and not the sole focus, the organization is regarded as being socially responsibly.

Countrywide Financial Corporation, however, had much less success at social responsibility. The organization made profits solely its bottom line initiative. Decisions were only in interests of generating income for the company and not in the concerns of long-term economic growth. Countrywide’s lack of social responsibility contributed to a devastating financial meltdown that affected millions worldwide and ultimately led to the corporation’s demise. Thus, it may be concluded that success may be driven by corporate social responsibility while business failure may be directly correlated to corporate irresponsibility.

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