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The Rise and Effect of Corporate and CEO Activism

An analysis of Starbucks #RaceTogether Campaign

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Abstract

Race relations have always been a charged issue in the United States. In recent years the topic has come to the forefront of public debate. The shooting of 18 year-old Michael Brown sparked civil unrest across the nation, increasing public demand for dialogue and constructive action. Starbucks, as a corporation that champions leadership in social change, launched the #RaceTogether campaign, aiming to provide a corporate platform for genuine and open conversation. This case study examines the evolution of corporate social responsibility, the effects of corporate and CEO activism, and the implications of the #RaceTogether campaign.



Overview

Waves of protests rocked Ferguson, Missouri after the fatal shooting of Michael Brown, an 18-year-old African American male, by white police officer Darren Wilson on August 9, 2014. Unrest occurred again after November 24, 2014, when a grand jury decided not to indict the officer under trial.ⁱ Looting and vandalism took place alongside the peaceful protests.ⁱⁱ The Ferguson Police Department responded with an imposed curfew and the deployment of riot squads. It was then accused and later held responsible for using undue force and racial profiling in the process of policing unrest.ⁱⁱⁱ The ensuing race relations crisis attracted unprecedented media attention.

Starbucks responded to these events by launching the campaign 'Race Together' in partnership with USA Today. Baristas were instructed to write '#racetogether' on every cup of coffee served, and (optionally) to engage customers in dialogue about race relations. Social media conversations about Starbucks instantly increased nearly threefold, but much of the attention was characterized as 'hate'.^{iv} On Tuesday, March 17, Starbucks SVP of Global Communications Corey duBrowa deleted his Twitter account, explaining he did not want personal attacks to be a distraction from the intended conversation. (He almost immediately reinstated his Twitter account).^v

On March 22, 2015, Starbucks CEO Howard Schultz wrote a letter to Starbucks partners (employees), stating baristas would cease writing '#racetogether' on cups, as a pre-planned part of the execution of Race Together. He reiterated his commitment to other parts of the campaign. Summing up Starbucks' resolve going forward, Schultz stated, "While it is always safer to stand on the sidelines, that is not leadership."^{vi}

Background

Howard Schultz & Starbucks

Howard Schultz was born on July 19, 1953 in the projects of Brooklyn, New York. He credits his experiences growing up in poverty to radically shaping his understanding of social responsibility within the context of business. When Schultz was young, his father suffered a minor injury but being without insurance was unable to afford healthcare. Workers' compensation was also not available and thus the family was left with no income. Despite the challenges that Schultz faced, he applied himself diligently and eventually grew within the ranks of the Swedish coffee drip manufacturer, Hammarplast.^{vii}

In 1981, a company called Starbucks ordered an unusually large number of drip coffeemakers, catching Schultz's attention. Starbucks had opened its first store ten years before through the efforts of Gerald Baldwin and Gordon Bowker in Seattle's historic Pike Place Market. It introduced a concept that was foreign to American culture at the time: gourmet coffee. A year later, Schultz joined the Starbucks team and eventually, in 1987, Schultz became CEO of Starbucks through an acquisition by Il Giornale, another coffee venture he had built two years



prior. Being a passionate entrepreneur, Schultz capitalized on this budding culture of specialty coffee and, five years later, Starbucks grew from six stores to 165 stores by 1992.^{viii}

Also unique in Starbucks' business mission was the strong stance to help underserved communities. In 1998, through a 50-50 joint venture with Magic Johnson, Starbucks helped to create Urban Coffee Opportunities (UCO), an economic and social development program for urban neighborhoods.^{ix} Schultz stated, "The partnership helped create jobs with health benefits, build community gathering places where they're most needed, and empower change makers to innovate and take action in their communities. Thanks to this partnership, Starbucks has deepened our commitment to community development in urban areas and plans additional programs to sustain that commitment."^x In 2008, Starbucks adopted a new mission statement: "To inspire and nurture the human spirit - one person, one cup and one neighborhood at a time."^{xi} After 12 years of partnership, in 2010, Starbucks acquired the other half of UCO.

Some other Starbucks efforts that contribute to serving disadvantaged communities, aiming particularly at young people, are:

- Customer Service Excellence Training with YouthBuild USA – a collaborative effort among Starbucks, the Schultz Family Foundation and YouthBuild USA to train teens and young adults in underserved communities for careers in retail and customer service.
- Starbucks Foundation – awards grants to programs such as The Chicago Urban League's (CUL) Youth Workforce Initiative which aims to provide "critical job readiness and employment" to predominately African American youth ages 16-24.^{xii}
- 100,000 Opportunities Initiative – a pledge by Howard Schultz to engage 100,000 young Americans who are not employed or in school in apprenticeships, internships, and jobs.^{xiii}

The Evolution of CSR

The ideology of corporate social responsibility (CSR) took form in the early 20th century as an imperative for businesses to act within areas of social and moral responsibility. Philanthropy and community involvement were prevalent in the 1920s, though not all business leaders adopted social initiatives. Most executives viewed these responsibilities as voluntary and some even saw them as subversive due to liability exposure.^{xiv}

A shift came as turmoil in the 1960s and 1970s prompted businesses to further develop CSR policies in response to political and social unrest.^{xv} Social movements including civil rights, women's rights, consumers' rights, and the environmental movement began to change consumer expectations of business practice.^{xvi} As information accessibility grew exponentially in the 1990s and 2000s, consumers increasingly saw themselves as activists. In an attempt to align with the preferences of consumers, corporations found themselves taking on more social responsibility initiatives for risk mitigation purposes in order to avoid boycotts and stricter regulatory measures.



Despite the slow growth of CSR's influence over corporate governance, according to some experts, recent statistics have emerged which reveal a growing necessity for businesses to make CSR a focal point.

In 2012, Edelman published its Good Purpose study which surveyed 8,000 consumers in 16 countries. The study explored "consumer attitudes around social purpose" and shed light on consumer expectations of brands and corporations.^{xvii} The survey revealed that 76% of consumers would both purchase a company's products or services and recommend the company to others if the company actively supported a good cause.^{xviii} Furthermore, 62% of the surveyed consumers made monthly purchases from brands that supported a good cause and 84% at least yearly. The top ranking causes that resonate with US consumers are alleviating hunger and homelessness, improving healthcare, and supporting human rights.

Another study by the Reputation Institute surveying 55,000 consumers in 2013 revealed that 41% of the consumer opinion of a company is based on "perceptions of the firm's corporate social responsibility practices."^{xix} Kasper Ulf Nielson, Executive Partner at the Institute, remarked, "CSR speaks to who the company is, what it believes in and how it is doing business. It's a core element of reputation and can be used to help establish trust and goodwill amongst stakeholders."^{xx}

CEO Activism

CEO activism, though a new term, is not a new concept. In 1949, Donald K. David, Dean of the Harvard Graduate School of Business Administration, published an article titled, "Business Responsibilities in an Uncertain World," which advocated that business leaders become social contributors beyond the traditional economic scope of business.^{xxi} However, recently the debate around a CEO's responsibilities toward social initiatives and CSR has intensified.

During the 2013 annual Board of Boards CEO Conference, an event that brings together Fortune 500 CEOs from across the globe, the discussion focused on the level of CEO involvement in CSR initiatives and its impact. The sentiment across the board was the importance of having 'Engaged CEOs' as key influencers to inspire their employees to take on more ownership of CSR programs.^{xxii}

Additionally, within the past decade, Harvard Business Review (HBR) conducted interviews of more than one hundred managers, directors, and CEOs, and concluded that support from the C-suite and Board of Directors is crucial in aligning CSR programs with business strategy and implementing them effectively.^{xxiii}

CEOs who look beyond financial consequences to other dimensions of the bottom-line embrace CSR, not only as an opportunity to be a force for social good, but also to engage with multiple stakeholders. Goldman Sachs' Lloyd Blankfein, Google's Eric Schmidt, and Starbucks' Howard Schultz are among the leadership who are spearheading CEO activism by speaking on hot issues in the public sphere.^{xxiv} In the Race Together campaign, Schultz takes a personally significant stance on social justice, using Starbucks as a vehicle to influence attitudes and policies.



CEO activism is both commended and criticized, but all parties agree that it is a force with tremendous potential impact.

Racial History in the US

Slavery and segregation set a foundation for division between black and white populations in the United States since its early foundation^{xxv}. Historical documents highlight the fact that a majority of blacks living in the U.S. descended from slaves brought to the United States from Africa beginning in the 1600s^{xxvi}. It was the Emancipation Proclamation of 1863 signed by President Abraham Lincoln that changed the course of history by legally freeing nearly 3 million black slaves in Confederate areas. However, the abolition of slavery was followed by segregation in schools and other public places, as well as disenfranchisement of voting rights, which only ended through The Civil Rights Act of 1964.^{xxvii}

But despite the revolutionary leadership of Dr. Martin Luther King Jr., racial tensions and inequalities persist to this day. This is highlighted by the intense debate sparked by police killings of unarmed black individuals from 2013-2015^{xxviii}. Three cities – Baltimore, Ferguson and Chicago, have gained prominence in the public eye for several incidents involving allegedly racially motivated police violence against blacks.^{xxix}

The protests and riots at Ferguson, triggered by the fatal shooting of 18-year-old Michael Brown by a white police officer, form the backdrop to the Race Together campaign. The unrest occurred in three waves that took place between August 9, 2014, and August 11, 2015, where the situation escalated to reflect the outrage at the municipal court grand jury's decision to not indict the officer on trial.^{xxx} Apart from the initial peaceful protests, there were several incidents of looting and vandalism that were dealt by the police with militarization tactics.^{xxxii}

The unrest in Ferguson can be attributed to deep-rooted causes that have “been building for decades”, further exacerbated by economic depression lingering among segregated African-American communities in Missouri.^{xxxii} Several shootings which occurred later in 2015, such as those of Walter Scott and Freddie Gray, deepened mistrust between the African-American population and law enforcement authorities. When nine were murdered at an African Episcopal church in Charleston at the hands of a 21-year-old white supremacist in July 2015, there was a palpable sense of shock and disbelief within the African-American community.^{xxxiii}

To benchmark discrimination against African-Americans by law enforcement authorities in the U.S., The Guardian launched a research project “The Counted”, which aims to keep track of deaths at the hands of police violence each year. Data from 2015 revealed that the total number of deaths stood at 1024 of which African American deaths numbered 261, whereas African Americans constitute approximately 13.4 percent of the U.S. population.



Race Together Campaign

Campaign communications

The communication process commenced internally with Howard Schultz personally conducting open forums with partners to engage them in active dialogue on their personal experiences with race.^{xxxiv} The partner stories, both heartfelt and constructive, encouraged Starbucks to unveil the external dimensions of Race Together.

Starting March 16, 2015, partners across various store locations were asked to write #RaceTogether on coffee cups before serving them to customers and (optionally) to engage customers in conversations. Such face-to-face interactions were intended to organically transition to social media channels, stimulating further conversation around race in the U.S. Starbucks also provided baristas with conversation starters and guidance on discussing race with customers.^{xxxv} This dimension of the campaign ended on March 22, 2015.

To scale the conversation nationwide, Starbucks collaborated with USA Today. In special free editions and through a dedicated online section, the newspaper highlighted the campaign through infographics, quizzes, interviews, discussion questions and personal stories from Starbucks partners.

Interviews were conducted to highlight Howard Schultz's vision for the project, i.e., to break corporate silence around race, while op-ed stories were placed to ensure visibility for the campaign's messaging. A special advertisement was also placed in the New York Times. Discussion sessions invited community leaders and local police officers to engage in active dialogue on Starbucks premises.^{xxxvi}

The #RaceTogether campaign provided a launching pad for the 100,000 Opportunities Initiative, in which Starbucks led a coalition of companies undertaking to train and hire 100,000 "disconnected youth" i.e. young Americans who are neither in school nor at work, and are thus shut out of the job market. The coalition of 16 companies included industry leaders such as CVS Health, Hilton Worldwide, JPMorgan Chase, Microsoft and Walmart. USA Today noted that disconnected youth are disproportionately black, Native American and Hispanic.^{xxxvii}

Public response

The campaign met with mixed reactions. Some praised Starbucks for "trying to get the people of this world to get along!" while others claimed that they do not "have time to explain 400 years of oppression and still make the train."^{xxxviii} Unfortunately for Starbucks, sarcastic social media users swiftly overpowered the conversation. The backlash was aggressive enough to drive Corey duBrowa, Senior Vice President of Global Communications at Starbucks, to temporarily shut down his Twitter account because he felt "personally attacked."^{xxxix}

While social media mentions increased by 266%, one third of the mentions were categorized as "hate."^{xl} The tactic of having baristas strike up conversations with customers was singled out for heavy criticism.



Various media outlets hammered the campaign's strategy. Tressie McMillan stated on Medium that "it is unclear who Starbucks is aiming for with this campaign. If you are a colorblind ideologue, just mentioning race is racism." Among the range of complaints expressed, some focused on the unclear objective of the campaign while others focused on the unfairness of having baristas take on an added burden.^{xli}

Employee response

Employees (Starbucks partners) were surprisingly steadfast in their support for the campaign. During initial stages, as Schultz toured the country to conduct town-hall style meetings with partners, he received extremely positive feedback.^{xlii} At one such event held in the Fox Theater, Atlanta, Schultz was greeted by almost 400 Starbucks partners, who professed their loyalty to the Starbucks brand and Schultz as their leader.^{xliii} During these open forums, partners were forthcoming and shared their personal experiences, with one black barista revealing intense discrimination she faced at a past job.

This dialogue reinforced the strong connection between the company and its employees. The majority of Starbucks partners neither questioned nor refused the instruction to initiate conversations with customers on race issues. Partners who worked with Starbucks for a few years were familiar with Schultz's decisions to take a stand in controversial matters ranging from same-sex marriage to gun control.^{xliv} Employees were therefore willing to follow through with the CEO's plans to transform Starbucks outlets into forums for dialogue.

The only significant instance of internal disagreement came from the Board of Directors.^{xlv} Most board members with the vision of Race Together but the strategy chosen by Schultz was subject to debate. Some board members felt timing was a critical factor for consideration while others thought it was important to focus on Starbucks' own shortcomings with employee diversity. However, as a whole the board supported Schultz's vision for the campaign.

Business and reputational impact

Initially, pundits feared the social media backlash to Race Together would hurt Starbucks sales. Kate Taylor of Entrepreneur magazine wrote Race Together could hurt both employees and business.^{xvi} A nuanced conversation about race, which is the only conversation worth having, could slow down the order line drastically. She also questioned whether the strategy placed a disproportionate burden upon employees. Do they have the training to engage with customers over this issue? Is it not inevitable that employees will be exposed to violent, ignorant and abusive customers? More disturbingly, she argued, the campaign is too self-aggrandizing, painting Schultz as a visionary for discussing race, with one press release stating "It began with one voice".^{xvii}

Subsequent events proved such fears were unfounded, at least in terms of business and reputational impact. The annual shareholder meeting, which coincided with the launch of Race Together in March 2015, saw prominent coverage and discussion time provided to Race Together. Schultz defended the campaign against accusations of naivety and obtained a standing ovation from the shareholders.^{xviii} On April 23, Starbucks released second quarter results (i.e., results for the fiscal quarter in which the campaign occurred). Stock hit a record high of 51.84\$ following the earnings release. Starbucks reported sales and profits nearly 20%



higher than a year before and well ahead of Wall street forecasts.^{xlix} Business results were fueled by both increases in store traffic and in the overall size of purchases.

The company's chief strategy officer, Matt Ryan, has spoken about how the company has conducted pilot studies to examine the business case for taking a stand on race, same-sex marriage, education and veteran issues. He has found potential tangible revenue gains in store performance. Encouragingly, the gains extend to public opinion benefits. Race Together for example has shown a large increase in awareness of Starbucks' commitment to social issues. Moreover, more than ¼ of public opinion is based on what customers think of Starbucks as an institution, which in turn depends on how Starbucks treats people.ⁱ

Wharton professors Reed and Shropshire explain that such campaigns are not inherently unsuccessful but have to break through customer skepticism about ulterior business motives. The challenge for Race Together is to overcome that skepticism through sustainable and authentic actions to back the rhetoric.ⁱⁱ

Viewed through this lens of sustainable action, the campaign makes strategic sense. Schultz obtained points for wading into territory that others fear to venture into.ⁱⁱⁱ It also helps that Starbucks has a track record of taking a stand on social issues. Since 40% of over 200,000 Starbucks employees are from minority communities, engaging them around a topic which means a lot to them is beneficial.^{iv} Plus, there is a natural fit between the service Starbucks provides and the cause of dialogue. Confronting race issues head-on makes for inspiring leadership on the part of Howard Schultz.^{iv}

Partnering with USA Today, which boasts average daily circulation in excess of 4 million^{lv}, to publish special newspaper supplements to stimulate conversation around race was also beneficial. The publication used its graphic storytelling expertise to create content capturing Race Together initiatives on an ongoing basis.^{vi} Starbucks also took out front page advertisements in the New York Times in the early days of the campaign. Harnessing these nationwide publications ensured early visibility gains for the campaign.^{vii}

But Starbucks stumbled tactically. First, Starbucks seems to have expected 20-something baristas to stimulate conversations around race without determining whether the employees in question fully understand the topic. Second, Starbucks chose the transaction context, which includes the morning rush and is not conducive to such conversations. Third, Starbucks started a word-of-mouth campaign without a pilot to see what some unintended consequences might be.^{viii}

Therefore, the key to leveraging Race Together for positive business and reputational outcomes is to sustain the effort while correcting for early mistakes. Starbucks has continued Race Together by hiring disadvantaged youth and opening stores in diverse areas^{ix} but it is yet to replicate a national dialogue on the scale of the campaign's first week.

Asking who should conduct such conversations and with whom, and through what channel, will be critical to continuing the dialogue. For example, Haid recommends that Starbucks conduct the race conversation with community experts and interested citizens^{ix}. Other experts suggest that what matters most is not whether any particular prescription is adopted, but that the chosen channel of conversation is both strategically and tactically viable for a long-term dialogue with multiple stakeholders^x.



Evaluation

Should business tackle social issues in the first place?

Haid argues that business and social impact go hand-in-hand.^{lxii} The conception of shared value propounded by Michael Porter also posits that social value lies at the core of what a company does, and is not an activity conducted at the periphery of business operations.^{lxiii} Moreover, the Page new model proposes that the character of a business lies at the heart of its advocacy efforts.^{lxiv} The question ‘should a business tackle social issues?’ therefore seems answered; yes, a 21st century company should tackle social issues.

However, that is not the central question Starbucks faces with respect to Race Together. The question about Race Together is *whether Starbucks should tackle race issues?* After all, there are several other ways in which Starbucks could drive the creation of shared social value in a manner consistent with its character. This question therefore takes center stage in our analysis of Race Together.

Objections

We examine some reasons why Starbucks should not engage race issues. First, it seems self-serving, or as cause marketing expert Joe Waters puts it, ‘cause-jacking’ that is not pulled off well.^{lxv} As Washington Post’s Alexandra Petri comments, the idea that writing a phrase on a cup is a revolutionary contribution to race relations is a “frothy combination of one pump hubris, three pumps privilege and four shots of I-can’t-even”.^{lxvi}

A second reason for disengagement is non-alignment of the cause with core business. Some people see a coffee house as a natural place for dialogue and debate. Others see a coffee house as a ‘safe’ zone where one does not bring up the topic of race. Judging by the media coverage, the majority saw it as the latter.^{lxvii}

The logistics of using barista-customer interactions as a forum are flawed. The Economist asked whether it would be practical for a 30-second encounter to tackle a nuanced and charged subject.^{lxviii} Business Insider slammed the increased wait times, noting that customer wait times could double with a few seconds of extra conversation.^{lxix}

Furthermore, baristas may be neither willing nor able. They are not trained to facilitate thoughtful discussions with customers. Nor is necessary that baristas are willing to execute the campaign. Though the campaign did not require them to initiate such conversations, it naturally creates a context where customers might bring up the topic of race.

The discomfort of the conversation could actually reduce the willingness of both barista and customer to have conversations about race - ever. This would be a negative contribution to the cause, or destruction of social value. It is noteworthy that SVP of Global Communications, Corey duBrowa, deactivated his Twitter account for a brief period. (Corey duBrowa explained that he did not want to be a distraction from the respectful and thoughtful conversation around #RaceTogether)^{lxx}. One journalist documented the embarrassing outcomes of his attempts to have race conversations with baristas. Some baristas were visibly uncomfortable or unfamiliar with the campaign.^{lxi}



Perhaps the strongest objection is that the race debate is more polarizing than unifying. The context of low-income baristas, a large percentage of whom are minorities, serving high-income customers, accentuates that polarization more than it diminishes it.^{lxvii} A similar objection laid the charge of hypocrisy at Starbucks door, citing that Starbucks' senior executives are not a diverse body as both the board and senior management are dominated by white males.^{lxviii}

Social media mocking could gather momentum stifling any serious and heartfelt responses. This could destroy dialogue. Indeed, arguably that's exactly what happened in the first week. Some sample tweets indicate the sarcasm directed at the company^{lxix}:

- "Barista: your total 5.45 Me: You can just put that on my reparations tab. Thanks #raceTogether"
- "Not sure what @Starbucks was thinking. I don't have time to explain 400 years of oppression to you & still make my train. #RaceTogether"
- "The arrival of Starbucks is typically a key indicator of gentrification in low-income communities. But, #RaceTogether"

Lastly, engaging with race might reduce the stock's return. But in the months since the launch of Race Together in March 2015, Starbucks has returned in excess of 20% while the S&P 500 has lost nearly 6.5%. Schultz has also made his disdain for this argument clear. When a shareholder at the 2013 annual shareholder meeting charged that Starbucks sales had been hurt by advocacy group boycotts due to its stance on marriage equality, Schultz invited him to sell his stock for another with higher return - if he could find one.^{lxv}

Encouragement

There are equally compelling reasons why Starbucks *should* engage race. First, people engage with their favorite brands more often than with government or nonprofits. Why not leverage the opportunity?^{lxvi} The second is the cause of social activism pairs naturally with the modern success of the corporation.^{lxvii} If a company is to be socially responsible, why not extend that contribution to social activism? Who is better poised to trigger social change than a corporation which is an organized, collective body designed to take and manage risks better than any other organized human endeavor can?^{lxviii}

The objections raised by the media can be countered. The charge of hypocrisy wielded against Starbucks only demonstrates the company's courage in the face of a negative reality that requires both internal and external change. This reality is not exclusive to Starbucks - it pervades the United States and only underscores the need for a genuine conversation. Nor is flawed logistics a strategic objection, as this ignores other additional measures of the campaign, not all of which were store based or customer-facing. Even if it is acknowledged that early execution was flawed, that does not necessarily imply the entire campaign needs to be written off.

Starbucks as a corporation is particularly experienced at tackling controversy. Same sex marriage, gun control, US government gridlocks and Washington partisanship are all deep-rooted issues to which no corporation can provide an easy resolution. What stands out about Race Together is sincerity^{lxix}. The campaign can be viewed as an honest and human attempt, despite risks and costs, to achieve a conversation about race.



Moreover, media attention to Race Together failed to realize that the charged nature of race conversations also produces engagement. The consequent engagement of employees and customers around race strengthens loyalty to the brand of Starbucks. Starbucks partners had a powerfully positive experience talking about race.^{lxxx} That is perhaps the insight to take away: In a controlled forum, an open, constructive conversation about race and racial identity is a powerful social good. Starbucks can provide that forum.

Summary

This case study has traced the rise of corporate and CEO social activism within the context of corporate social responsibility and the character of Starbucks. It also closely examined the question of whether Starbucks, having engaged in social activism, should engage the issue of race relations. We analyzed campaign communications, public and employee response, and the reputational impact on Starbucks.

We reframe the challenge facing Starbucks as the question of how it can leverage its unique qualifications and charismatic leadership in social activism to spark a conversation around race without triggering overwhelming negativity. Some topics to structure further learning and discussion include:

- How can Starbucks stimulate a conversation around race without igniting hate? To what extent can hate be preemptively curbed or limited through strategic choice of forum or communication channel?
- To what extent should CEOs drive the agenda of social value creation? How can CEOs be held accountable for the initiatives they champion?

Finally, we leave the reader with the question Howard Schultz posed to his shareholders: Where there are no easy answers with respect to a social crisis, what is the role of a for-profit public corporation?



Appendix A: Interview of Corey duBrowa

Original interview by Case Study Team

Interviewee: Corey duBrowa, SVP of Global Communications at Starbucks Corporation

Format: Email interview

Date: January 5, 2016

1. To what extent has Race Together retained momentum after the decision to stop writing Race Together on coffee cups? Is it acquiring increased relevance with the recent news of police shootings in Chicago and elsewhere?

Our commitment to embracing diversity and challenging the status quo through the lens of empathy and understanding is core to our mission and values as a company, and has continued throughout 2015 and now into 2016. While the tactic of writing on cups was only ever planned to be a short-lived “spark,” our commitment to opening stores in diverse, urban areas, our commitment to hiring and training disadvantaged youth (also called Opportunity Youth, a term which encompasses more than 5 million Americans aged 16-24 who are either out of work, out of school, or both), and our diversity hiring commitments have endured, and we will continue to encourage greater understanding and compassion toward one another.

2. What is the vision for Race Together going forward?

Conversation has the power to change hearts and minds, and we believe that Starbucks can play a meaningful role in helping our country come together and discuss the challenging issues of our time. Leading change isn’t an easy thing to accomplish. And, it doesn’t happen quickly. But, this is who we are—our mission is to inspire and nurture the human spirit, one person, one cup and one neighborhood at a time. One of our company’s core values is to act with courage, challenging the status quo. That’s why we won’t remain silent on issues that are troubling the hearts and minds of many in America.

3. How did employees feel about Race Together when it launched? Has that changed?

The response from our partners (employees) – both during the dozen Partner Open Forums that we held across the U.S., and afterward – was unreservedly positive. The one question that kept arising in each and every forum was “what else can WE do?” So we will continue to listen to partner feedback and provide the appropriate forums to continue the discussion as part of a broader, longer-term effort.



Appendix B: #RaceTogether Timeline Snapshot



Appendix C: #RaceTogether Feature on USA Today

The screenshot shows the USA Today homepage with a large banner for the #RaceTogether campaign. The banner features two women looking at a laptop screen. Below the banner is a news article thumbnail with the headline "Minn. moms target racism with social media". The USA Today navigation bar includes links for NEWS, SPORTS, LIFE, MONEY, TECH, TRAVEL, OPINION, CROSSWORD, ELECTIONS 2016, INVESTIGATIONS, VIDEO, STOCKS, MORE, and a SUBSCRIBE NOW button.



Appendix D: Public Responses to #RaceTogether

 April
@ReignOfApril

[Follow](#)

Not sure what @Starbucks was thinking. I don't have time to explain 400 years of oppression to you & still make my train.
[#RaceTogether](#)

7:59 AM - 17 Mar 2015

48 643 667

 dae
@Duanecia

[Follow](#)

The arrival of Starbucks is typically a key indicator of gentrification in low-income communities. But, [#RaceTogether](#)

9:11 AM - 17 Mar 2015

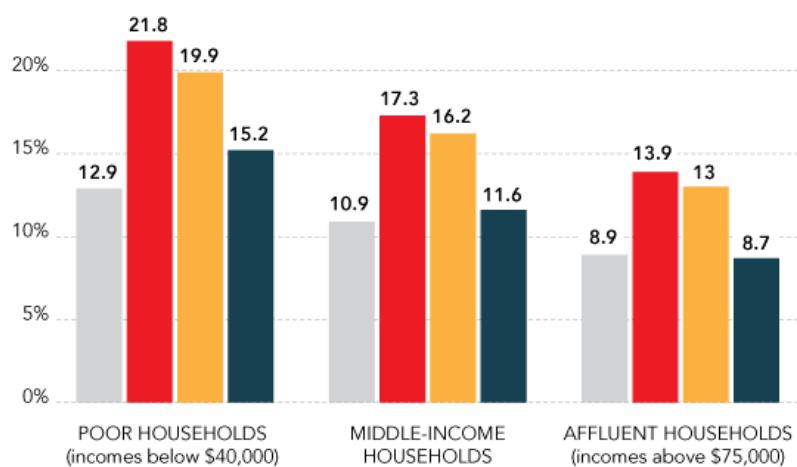
48 295 272

Appendix E: Data on Poverty by Race/Ethnicity (US2010 Project)

Average neighborhood poverty by race/ethnicity and household income in metropolitan regions, 2005–2009

White non-Hispanic Black non-Hispanic Hispanic Asian

25%



Source: US2010 Project

THE HUFFINGTON POST



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Teaching Notes

Key Problem

The key problem Starbucks faces is the question of how to stimulate conversations around race relations toward constructive directions of openness, sharing and local community action. These objectives will also result in an enhancement of the Starbucks brand and its track record of social activism. Students should also consider how to proactively anticipate destructive reactions and redirect the conversation.

Compelling solutions should outline research insights for the facilitation of charged topics, messaging, audience segments, overarching strategies, tactics and communication channels that Starbucks can use going forward.

Outline

Against the backdrop of civilian unrest in Ferguson, Missouri, protesting (allegedly) racially motivated police violence, Starbucks in partnership with USA Today launched Race Together. As an initial spark, baristas were instructed to write '#racetogether' on every cup of coffee served, and (optionally) to engage customers in dialogue about race relations.

Within 48 hours, Race Together received 2.5 billion impressions. However, not all the attention was positive. Though social media conversations about Starbucks instantly increased nearly threefold, much of the attention was characterized as 'hate'.

On March 22, 2015, Howard Schultz, CEO of Starbucks, wrote a letter to partners (employees), stating baristas would cease writing '#racetogether' on cups, as a pre-planned part of the execution of Race Together. He reiterated his commitment to other parts of the campaign, which later materialized as initiatives to hire disadvantaged youth and increase diversity in Starbucks' hiring policies. Summing up Starbucks' resolve going forward, Schultz stated, "While it is always safer to stand on the sidelines, that is not leadership."

This case study offers several interesting lines of enquiry and debate. First, the question arises whether Starbucks ought to engage in social activism going forward. There are milder forms of corporate social responsibility which do not require companies to take a stand on divisive issues such as same sex marriage or gun control. Second, the question arises whether Starbucks ought to engage the topic of race relations. Third, how should Starbucks continue the conversation without having it overwhelmed by hate? Fourth, how can it scale the conversation nationally while retaining control of the messaging and impact? Fifth, how can it hold its CEO accountable to diverse stakeholders in a world with multiple bottom-lines of corporate performance?

Teaching suggestions

There are two cautions to keep in mind while teaching this case. The first is to acknowledge the sensitivity of the topic and to allow students to vent reactions before attempting thoughtful analysis. The second caution is to steer students away from the question of whether Starbucks ought to engage with race relations in the first place, which is no longer a forward-looking



question. The primary question is whether Starbucks ought to *continue* its engagement with the campaign of Race Together, and if so, *how*.

Teachers should also challenge reactive assumptions students make, such as the idea that Starbucks as a business *must* necessarily suffer from engagement with race relations. The case is written to facilitate analytical decision making with sufficient data and evaluation to allow a lively discussion in class. Further research should be encouraged, and we have provided several questions within this note to highlight the key decisions to be made. Students should also be encouraged to think of the challenge holistically, from the perspectives of multiple stakeholders and not just that of Starbucks management.

Possible solutions: Application of Page Principles

Principle 1: Tell the truth

Starbucks must tell it like it is. Having waded into the territory of race relations, it should not sugarcoat harsh realities. It must engage with the topic honestly and genuinely, in a manner that is authentic to its corporate character.

This means taking a stand, backing up the stance with hard data, and communicating it compellingly. It is not enough to be a facilitator or a forum-provider; it is not enough to say that there are no easy answers. People expect Starbucks to have answers.

Principle 2: Prove it with action.

Starbucks' initiatives to hire disadvantaged youth provide structure and problem-solving to its efforts to stimulate conversation. Starbucks should continue to communicate its vision of solutions, both at the company-level and at the national-level. This will trigger consumer advocacy at the national scale.

Taking a long-term view, Starbucks ought to activate its corporate character to achieve consumer advocacy for government policies that address racial inequalities. This requires Starbucks to provide thought leadership, which is best done by partnering with experts on the socioeconomic solutions to racial gaps. Specifically, Starbucks can consider partnering with think tanks.

Principle 3: Listen to stakeholders.

Starbucks must understand what its diverse stakeholders want by activating a listening station through multiple channels of communication, especially social and new media. This will provide valuable intelligence to create overarching messaging and strategies that will engage all stakeholders. For example, in anticipation of the charge of hypocrisy wielded at Starbucks for having a board and senior management dominated by male Caucasians, Starbucks could start the conversation by professing its resolve to lead by hiring diversely.

In particular, Starbucks must listen internally. It must keep its own C-suite and partners informed about stakeholder reactions to the campaign. This will allow the top-down communication campaign to be molded by bottom-up suggestions and improvements.



Principle 4: Manage for tomorrow.

This principle requires Starbucks to anticipate public reaction and eliminate practices that create difficulties. From its experience with Race Together, Starbucks can anticipate social media negativity and generate proactive strategies to deal with it. Some potential solutions include:

- Partner with social media influencers in minority communities who can credibly talk about race, and advance social media content through them. Prepare content in the format that suits the influencer, rather than asking the influencer to adapt their delivery to Starbucks content.
- No matter how scary it feels, start by admitting imperfections within the company, rather than by highlighting the imperfections outside the company. Highlight actions the company is taking to achieve nationwide impact before attempting to trigger nationwide conversations around race.
- Control the forum. Use owned media over paid, shared and earned media. For example, host forums and panel discussions chaired by community experts and trained facilitators with diverse audiences, including employees and customers. There are ways to convert store space into a forum without letting the conversation become uncontrollable.

Principle 5: Conduct public relations as if the whole enterprise depends on it.

Reassure stakeholders that the impact of social activism will be positive in the long-term both for them personally as well as the health of the enterprise. This requires diligent research into what each stakeholder values, and constructing a vision of value-creation that is personalized to them. For example, if customers value the coffee experience both in terms of product and service, provide them credible reassurance that neither will suffer.

It is also worth examining the extent to which stakeholders buy into Race Together on an ongoing basis. The enterprise cannot sustainably continue the campaign unless its publics are persuaded of its value.

Principle 6: Realize an enterprise's true character is expressed by its people.

In our view, Starbucks was right to rely on its brand-loyal baristas. What it got wrong is the initial emphasis on the customer-barista interaction, which is necessarily brisk and buoyant. What Starbucks needs to do going forward is to equip baristas to be brand ambassadors *outside* the buying process with the customer.

For example, this could involve creation of video content of baristas telling their stories in open partner forums. Baristas can be trained to act as mentors within the community to disadvantaged youth. Exceptional performers who belong to a minority community can be asked to tell their story to the scaled audience that Starbucks can provide.

Principle 7: Remain calm, patient and good humored.

It is natural to receive knee-jerk reactions in response to action on controversial issues. We counsel that Howard Schultz is right to link the relevance of the modern corporation not just to



profit, but also to purpose. Being rooted in purpose, and convinced of its stand and stakeholder support, Starbucks ought to stay calm and confident when facing heated debate. In the long-term, this will add value to its interactions and increase public trust. Some trust-increasing initiatives include:

- Facing its own vulnerability. By admitting its lack of qualifications to speak authoritatively about a complex and deep rooted social issue, Starbucks becomes qualified to speak on the topic. By conceding leadership to experts such as think tanks and community facilitators, Starbucks acquires leadership in race relations.
- Providing value. Starbucks must vigorously communicate the actions it is taking to address racial inequalities within its own hiring and promotion practices. By doing so, it adds immense value in the form of a precedent for other Fortune 500 companies and thus for corporate America.
- Inspiring advocacy for specific stances. By communicating its stance on the sub-topics of race relations, such as police violence, racial profiling, legal discrimination, opportunity gaps and entrenched gaps in education and health, Starbucks increases its credibility and provides thought leadership. It also creates a focal point of policy action which customers and stakeholders can rally around.

Concluding thoughts

Teaching this case study will be an exhilarating experience. We are confident it will provide a new lens of awareness for students to examine not just their own beliefs about what a corporation ought to do, but also how to do it.

Specifically, students will benefit from challenging their assumptions about race relations, corporate involvement and societal obligations to fulfill the vision of a more equal society.