

**Q7: With reference to an organisation of your choice, examine the impact of culture on organisational ethics.**

The organisation that I will be using for this essay is Starbucks. Starbucks Corporation is an American coffee company and coffeehouse chain. Starbucks was founded in Seattle, Washington in 1971. The multinational operates 23,768 locations worldwide as of 2016. Starbucks CEO (from 2008 – 2017) Howard Schultz was crucial in the rebuilding of Starbucks culture that was essential in the making of an ethical multinational corporation. "When we began Starbucks what I wanted to try to do was to create a set of values, guiding principles, and culture." This essay will explore the impact of both organisational and external culture into organisational ethics.

Culture refers to customs and practices that are norms to a group of people, regionally or as an organisation. Culture shapes the values, beliefs and customs of both individual people and organisations. Internal culture refers to organisational culture, and external culture refers to the culture of the environment that the organisation is operating in. Ethics is the socially accepted moral principles that guide decision making based on the collective belief of what is right or wrong, usually impacted by culture. Organisational ethics refers to a code of conduct and business practices that a business follows that regulates their decision making.

Starbucks is known for not only selling high quality coffee to their customers, but they are also known for their corporate culture. Starbucks' CEO Schultz likes coffee, but he's passionate about "building a company that treats people with dignity and respect." Starbucks has gone through significant changes in its organizational culture. These changes are based on issues and problems leaders like Howard Schultz and Howard Behar identified. Some of the corporate values of Starbucks include: community, ethical sourcing, environment, diversity and customer wellness.

The corporate culture of treating people with dignity and respect has translated into ethical employment contracts for their employees. According to Schultz, Starbucks was the first company in America to offer comprehensive health insurance and ownership in the form of stock options to all of its employees, including part-time workers. Starbucks also continues to lead the industry in terms of additional relevant benefits for their people – including full tuition reimbursement through their College Achievement Plan, Starbucks stock (Bean Stock), 401(k) matching, and other important benefits. This has led to low levels of employee turnover (50% at Starbucks, while other companies in the same industry is at 400%), which has reduced many administrative costs to the company, effectively contributing to the profitability of the corporation.

As part of building a company that treats people with dignity and respect, Starbucks proudly respects cultures and encourages diversity and has successfully translated this into part of their organisational ethics. To reinforce this, Starbucks has an anti-discrimination policy that prohibits any form of discrimination based on gender, race, ethnicity, sexual orientation, religion, age, cultural backgrounds, life experiences, thoughts and ideas. This ethical practice has not only led to both employees and customers to feel included, they have extended this practice to their suppliers and people they work with, including people with disabilities, LGBTs and veterans. They have been recognised by prominent diversity organizations of their work on diversity and inclusion. Starbucks was selected as the 2014 Disability Employer of the Year by the US Business Leadership Network and has received a perfect 100 score on Disability Equality Index in 2015 and 2016 and achieved the top rating of 100 percent on The Human Rights Campaign (HRC) 2015 Corporate Equality Index. Thus exemplifies how Starbucks' corporate culture permeates throughout their organisational ethics.

Starbucks also has an organizational value that supports the ethical use of the environment and champions ethical sourcing. Starbucks refers to planet earth as its “most important business partner” and plans to maintain good ethical use of the environment. Starbucks’ has made remarkable effort in trying to reduce the impact of their business activity on the environment, including greener stores, cups and energy to reduce their carbon footprint. Starbucks contributes to the health of the environment in a number of ways, including using recycled paper and plastic, and in 2011 Starbucks achieved a 50% reduction of wastewater in 1000 of its stores by installing a new filtration system. Starbucks has also made it a point to use ethically sourced beans and in 2016 announced that 99% of its beans are ethically sourced. Starbucks helps sustain coffee communities around the globe through its loan program. In 2011, Starbucks loaned a total of \$14 million to 45,000 farmers in seven countries around the globe. On a larger scale, Starbucks not only helps the communities where the stores are located, but also helps to improve the lives of its suppliers.

External culture has also influenced the way that Starbucks treats their employees. Starbucks has recently started to expand aggressively in China. China has a culture that stresses on social status and hence careers and career titles are of much importance to individuals and families. Furthermore, in China, success can be judged by the title on one’s business card. Starbucks has factored these family dynamics and expectations in and “Family forums have been held for parents of store partners to hear managers discuss gratifying career paths at Starbucks.” This shows that even external culture is an essential factor in ensuring ethical business practices in handling employees.

In summary, Starbucks treat both their employees and suppliers well while encouraging diversity, looks out for their customers by providing wellness through quality products that contain no more than 500 calories and are free from unnecessary ingredients like high fructose corn syrup, artificial flavours, dyes, and artificial trans-fats. In addition, Starbucks does all this while being a profitable company and does not compromise on their shareholders.

Being an ethical brand usually implicates higher costs for a firm, however Starbucks has shown that a company *can* achieve profitable growth and enhanced shareholder value by conducting business in an ethical manner. Customers are more willing to pay a higher price and utilize a company’s products if they know that they are supporting a company that is socially responsible. Over the past 10 years, Starbucks stock (SBUX) has increased in price by 2,200%. Starbucks has made the list of Most Admired Companies in the U.S., the list of 100 Best Companies to Work For, the list of 100 Best Corporate Citizens, the list of the World’s 50 Most Innovative Companies, and the list of the World’s Most Ethical Companies. According to CEO Howard Schultz, Starbucks’ commitment to social responsibility has played a significant role in producing this phenomenal growth. In conclusion, Starbucks has shown us how enforcing a corporate culture that ensures ethical business practices are being carried out have helped Starbucks attain a reputable brand image that is essential in attaining higher revenue, profits and growth.